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Montana Board of Housing Annual Report

Fiscal Year 2001-2002

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Chairman and Executive Director's Message

We are pleased to present the Annual Report and Financial Statement of the Montana Board of Housing for Fiscal Year 2001-2002.

The Board celebrated the 25th anniversary of its first bond issue on March 18, 2002 in the Capitol Rotunda. Well in excess of 200 of our partners and the public helped us celebrate and recognize the entities that have made the Board's programs successful. These partners included brokers, trustees, attorneys, Realtors, banks and real estate lenders, builders, developers, non-profit housing providers and other governmental agencies.

The Montana Board of Housing has approximately \$2 billion invested in affordable housing placing 36,078 lower income Montana families into decent, safe, sanitary and affordable housing since the Board issued its first single family bond in 1977. The average purchase price of affordable housing soared 365% in the 25-year period. In 1977, the average purchase price was \$31,500 versus \$119,000 in 2001. Currently sixty nine percent of all Montana households own their own home, one of the highest homeownership rates in the country and up 20% since 1991. The Board has made mortgage loans in every county and city in the state through a partnership network of 280 origination banks and real estate lending offices.

The Board continues to meet the mission of providing decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana. This can be seen by the activity in the programs the Board offers.

In the current year the Single Family Programs provided affordable mortgages to over 1,655 households in Montana. This included \$116 million in loans done through our regular program as well as \$16 million in loans done through our recycled programs offering assistance to households, on average, earning less than \$20,000 per year. The Multifamily Programs provided over 320 units of rental housing through the Low Income Housing Tax Credits and Bond Loan Programs. This included the allocation of \$2,438,038 in low income tax credits generating approximately \$18,285,285 in equity for affordable rental units.

Monthly meetings and informational sessions were held in Havre, Lewistown, Stevensville, Deer Lodge and Anaconda to provide outreach to communities interested in participating in the Board's programs. We will continue this tradition to help better understand the needs of each different community.

By any measurement the Board's programs are a huge success. It exemplifies what can be achieved when all partners – public and private – have the same goals and objectives. We appreciate the commitment of the bankers, realtors and our other partners who will continue to be instrumental in creating public access to our programs. Together we have brought to our communities and Montana families essential economic and social benefits.

Sincerely,



Bob Thomas
Chairman



Bruce Brensdal
Executive Director



Montana Board of Housing's mission – to provide mechanisms that enable Montanans to own or rent decent, safe, and sanitary housing that is within their financial capability – reflects our state's desire to improve the quality of life for Montanans. First-time homebuyers, families, single parents, senior citizens and disabled and special needs persons benefit from the Board's housing programs.

All of us have a role, whether large or small, in helping to narrow the gap between availability and demand of affordable housing. Being successful is crucial to our communities and the quality of life of our citizens. It is, however, equally important to our common effort to improve our economic vitality and create job opportunities for Montanans.

The economic benefits of housing in terms of such benchmarks as jobs, income, income tax revenues and property tax receipts are undisputed and substantial. However, another important point of reference is the fundamental role affordable housing plays when it comes to economic development. As one of the top ranking criteria used by businesses when looking at expansion and relocation, it helps them place a value on a community's desirability and make a judgment on its quality of life. I am sure that it will be no surprise to anyone that realizing to the fullest extent possible the objectives of our housing division is key to our economic development goals.

While our Housing Division and you, as one of their partners, have made significant and important gains in both of these areas, much more remains to be done. I know all of us are up to the challenge and the opportunity.

I am delighted to have the opportunity to work with you and the many public and private sector people, financial institutions and for-profit and non-profit organizations striving to make safe, decent and affordable housing the only option in Montana. Together we can continue to keep Montana as one of the states with the highest rate of home ownership, approximately 69%. Here the 'American Dream' is alive, well and do-able.

Sincerely,

A handwritten signature in dark ink, reading "Mark Simonich". The signature is fluid and cursive, with the first name "Mark" and last name "Simonich" clearly distinguishable.

Mark Simonich
Director
Montana Department of Commerce

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INTRODUCTION

The Montana Board of Housing was created by the Montana Housing Act of 1975. The Board is an agency of the State and operates within the Department of Commerce for administrative purposes.

Under the Housing Act the Board does not receive appropriations from the State's general fund and is completely self-supporting. Substantially all of the funds for Montana Board of Housing operations and programs are provided by the private sector through the sale of tax-exempt bonds.

Montana Board of Housing's public purpose is to provide decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana. Montana Board of Housing accomplishes this purpose by issuing tax-exempt bonds, administering federal housing programs and working in partnership with many other housing providers throughout Montana.

**MONTANA BOARD OF HOUSING
P.O. Box 200528
HELENA, MONTANA 59620-0528

(406) 841-2840**

THE BOARD

The powers of the Board are vested in a seven member Board, appointed by the Governor, subject to the confirmation of the State Senate. The majority of the board members' terms coincide with the four-year term of the Governor; the remaining board members serve four-year terms which expire in the middle of the Governor's term. The Chairman of the Board is appointed by the Governor and other officers of the Board are elected by the board members. Each Board member serves until a successor is appointed and confirmed by the State Senate.

The Board provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates Montana Board of Housing Programs. The commitment of time and energy by Board members has resulted in an improved quality of life for thousands of Montana citizens. Their leadership is vital to the Montana Board of Housing's ability to meet Montana's housing needs.

In fiscal year 2001-2002 the Board provided over \$116 million in single family mortgage financing, helping 1,655 families obtain the dream of home ownership. The Board also allocated \$2.4 million in Low Income Housing Tax Credits for 320 units of rental housing.

THE BOARD OF HOUSING IS COMING TO SEE YOU

The Board frequently conducts its regular business meetings away from Helena. In addition, the Board invites local officials, legislators, housing advocates, developers, Realtors, and lenders, for a public information session. These meetings are intended to provide information to the public on the Board and its programs, as well as hear comments from the public about the Board and its programs. The Board has been to Havre, Lewistown, Stevensville, Deer Lodge and Anaconda in the last year, with many stops in between.

The Board also visits the sites of homes financed through its single family programs, and rental projects financed through the Low Income Housing Tax Credit and multifamily lending programs. These site visits give the Board a chance to see the housing and talk with people regarding the housing development.

Montana Board of Housing Staff

Board Members

Staff

Legal & Professional Services



Bob Thomas



Bob Savage



William Oser



Waneeta Farris



Teresa Lightbody



Tom Welch



Stephen Redinger



Bruce Brensdal
Executive Director

BOARD MEMBERS

Bob Thomas, Chairman is a retired insurance agency owner from Stevensville, Montana and a graduate of the University of Montana. Bob has served on the Board since 1991, and has been Chairman since 1993. Bob works with the Childhood Language Disorder Clinic at the University of Montana, sponsored by the Scottish Rite Fraternity.

Robert Savage, Vice Chairman is an attorney with the Savage Law Firm in Sidney, Montana and has a Bachelor of Arts degree and a Doctor of Jurisprudence degree from the University of Montana. Bob has served on the Board since 1993, and was also a director and President of the National Conference of State Housing Boards, Washington, D.C.

William Oser, Secretary, C.L.U. has lived in Montana and Wyoming most of his life, working for the Bureau of Reclamation and Shell Oil before going in to the insurance business in 1960, from which he retired in 1992. Bill is actively involved in the business community in Billings, Montana. Bill has served on the Board since 1993.

Waneeta Farris is Branch Manager of Wells Fargo Bank in Forsyth, Montana. She has been with the bank since it opened in 1983. Waneeta has served on the board since 1995.

Teresa Lightbody has been a Realtor since 1980 and is a Realtor for Big Sky Brokers Real Estate. Her husband Jay is employed by the Department of Fish, Wildlife and Parks. Teresa was appointed to the Board in 1999.

Tom Welch is the Chief Executive Officer and President of Pioneer Federal Savings and Loan in Dillon, Montana. He is a Montana native who is a graduate of the University of Montana and is active in a wide variety of local community activities and organizations. Tom has served on the board since March 1997.

Steve Redinger owner, president and CEO of Intermountain Mortgage Co., Inc., brings extensive knowledge of statewide housing issues to the Board. Intermountain is headquartered in Billings but has branches in Big Timber, Bozeman, Missoula, Big Sky, Great Falls and Kalispell. He is also active in a variety of community organizations. Steve has served on the Board since March, 2001.

MONTANA BOARD OF HOUSING STAFF

EXECUTIVE:



Diana Hall, Bruce Brensdal, Justin Schedel

MULTIFAMILY PROGRAM:



Back: Gerald Watne, Mat Rude
Front: Mary Bair, Connie Boyer

SINGLE FAMILY PROGRAM:



Back: Charles Brown, Bob Morgan,
Jeannene Maas
Front: Greg Bryan, Lance Sekora,
Doug Jensen

ACCOUNTING:



Back: Vikki Gredyk, Debby Phillips, Vicki
Bauer
Front: Christine Bullman, Scott Hoversland,
Tammy Hjelseth

BOARD GENERAL COUNSEL:

Luxan and Murfitt — Helena, MT

INDEPENDENT AUDITOR:

Legislative Audit Division — Helena, MT

BOARD BOND COUNSEL:

Kutak Rock — Omaha, NE

INVESTMENT BANKING TEAM:

Paine Webber Inc. — San Francisco, CA
D. A. Davidson and Co. — Great Falls, MT
Dain Rauscher, Inc. — Minneapolis, MN
Merrill Lynch & Co. — New York, NY
U.S. Bancorp Piper Jaffray Inc — Minneapolis, MN

TRUSTEES:

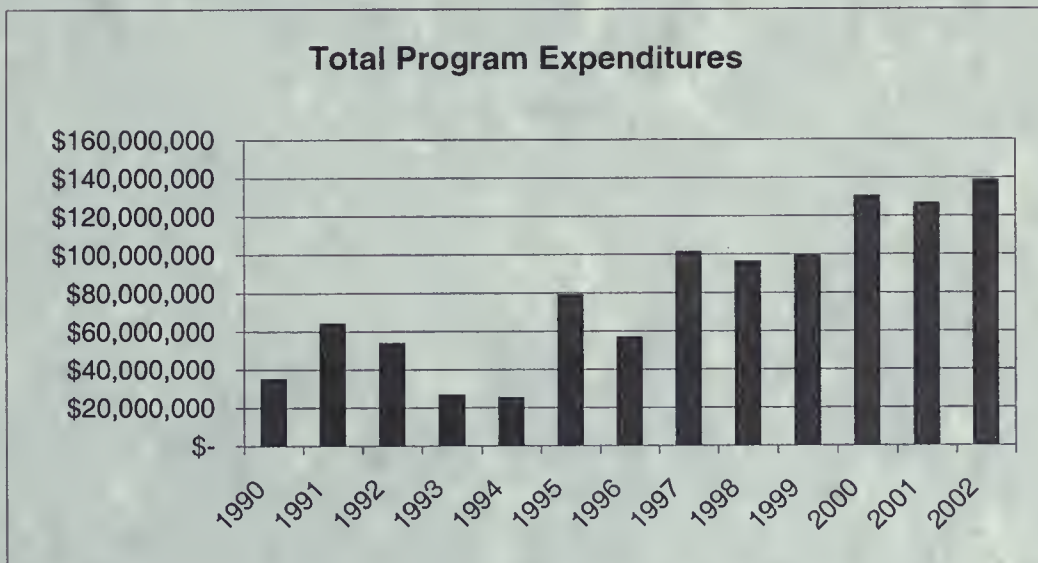
U.S. Bank
Wells Fargo Bank

ECONOMIC BENEFITS OF BOARD OF HOUSING PROGRAMS

In October of 2002, the Department of Commerce published a study "Economic Benefits of MDOC Housing Program Activities", prepared by Western Economic Services. The study provides information on the economic benefits for each of the housing programs in the Department, including the Montana Board of Housing. The Board's programs have provided an input into the economy (through the sale of bonds and the issuance of Low Income Housing Tax Credits) during federal plan year 2001 and 2002, of over \$264 million. This has resulted in the following:

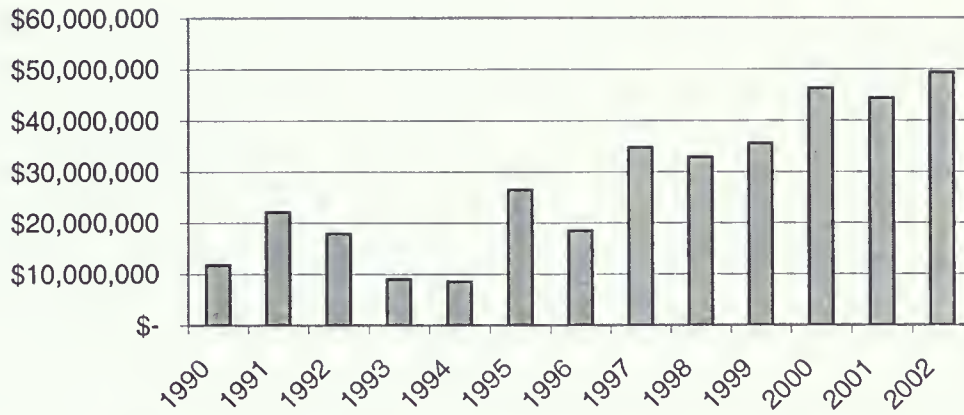
- \$93,647,720 of basic and non-basic income generated. As program funds are spent, a portion of these funds become earnings for the "basic" workers; workers spending the basic income causes a predictable amount of non-basic employment and income. These two spending categories total the income generated from the program.
- 3,857 jobs created.
- \$2,464,830 paid in income taxes by workers because of the Board's housing programs (i.e., construction trades, banking, realty).
- \$44,615,918 in property taxes paid by property owners for housing built and purchased with the Board's programs.

For more detailed information on this study, please contact the Board at 841-2840 for a copy of the complete study or access our website.

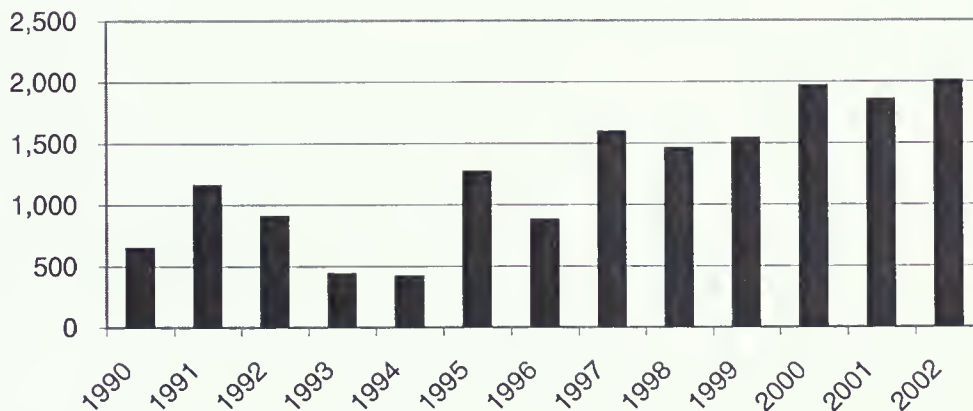


Economic Benefits

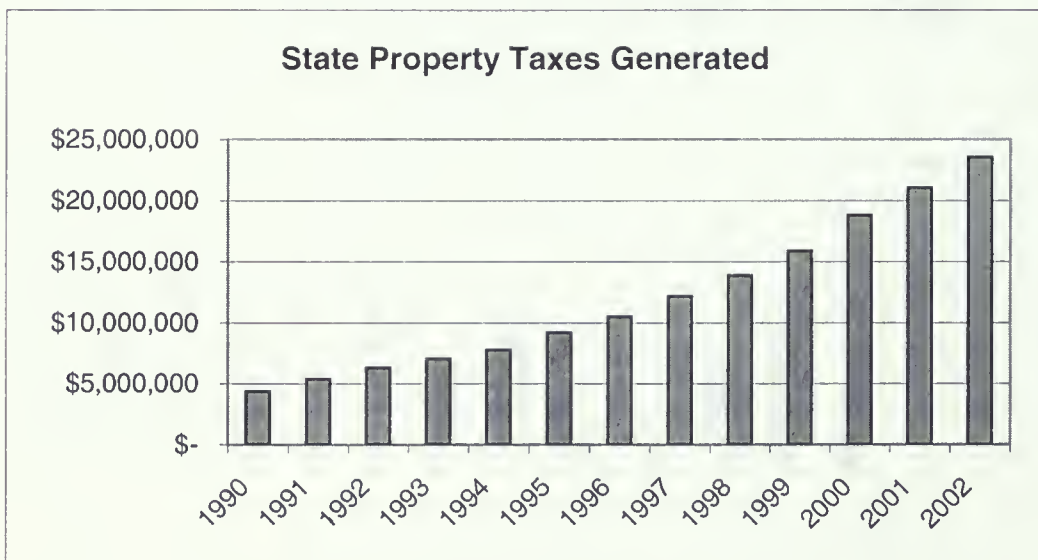
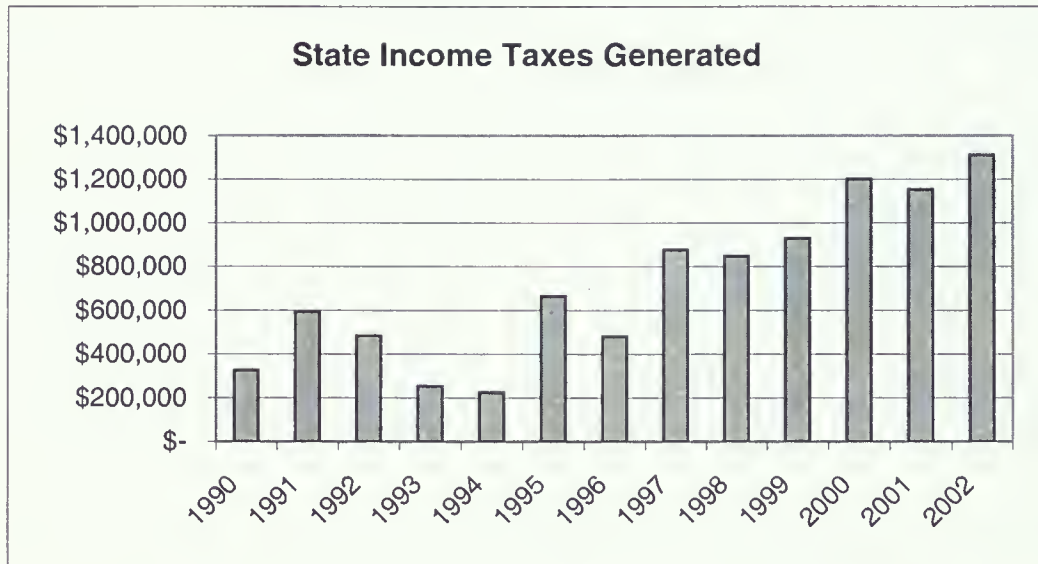
Basic and Non-Basic Income



Jobs Created



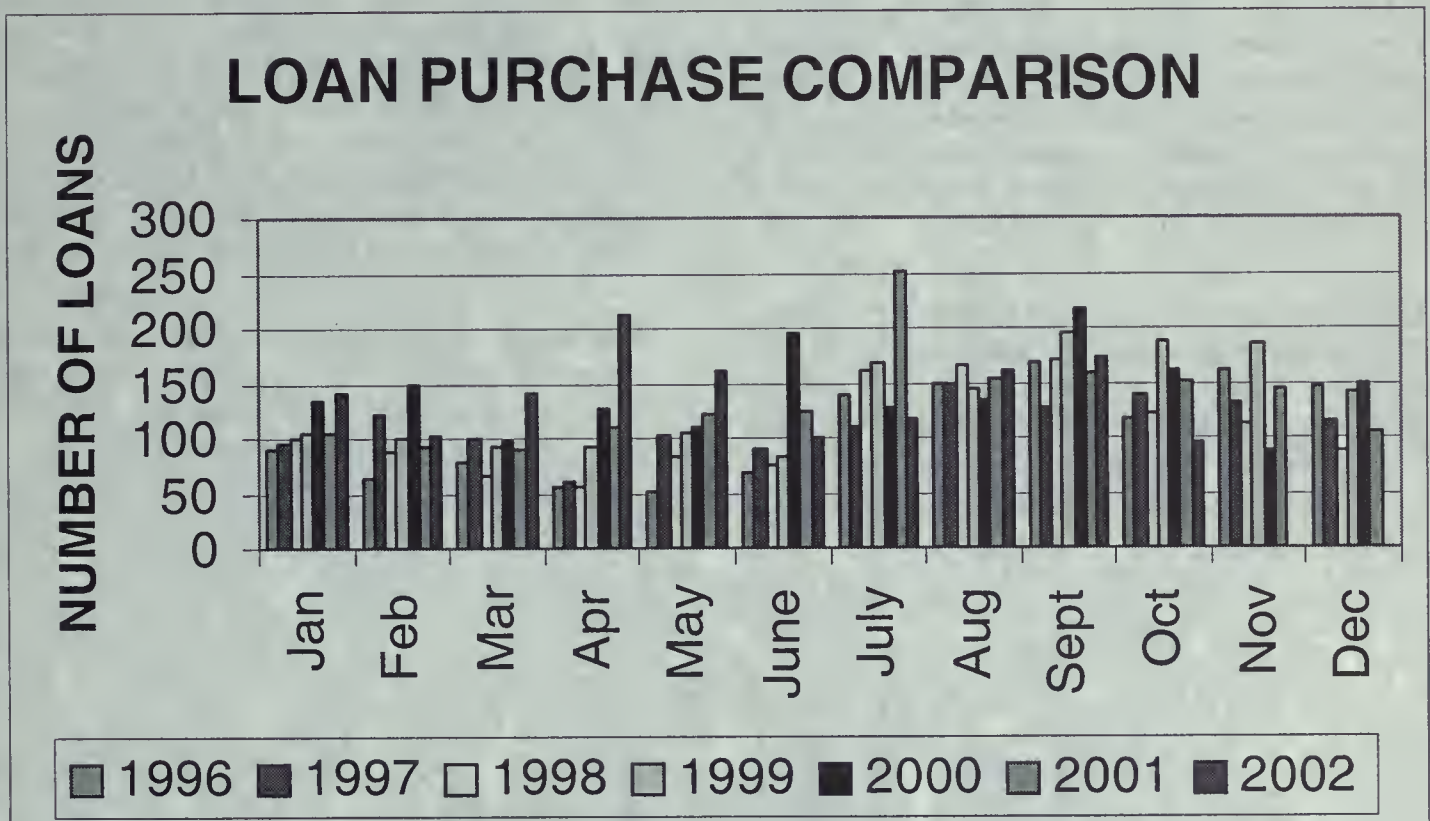
Economic Benefits



Single Family Programs

The Board has continuous funding.
Home buyers can purchase a home any time of the year.

SINGLE FAMILY MORTGAGE PROGRAM RECYCLED SINGLE FAMILY MORTGAGE PROGRAM



THE UNIVERSITY OF CHICAGO

SINGLE FAMILY PROGRAMS

The Board, during the course of Fiscal Year 2002, offered the Single Family Mortgage Program, the Recycled Single Family Mortgage Program, and the Disabled Accessible Affordable Housing Program (DAAHP). Over the past 25 years the Board has helped 31,882 individuals and families become homeowners.

This year the MBOH Single Family Programs purchased 1,655 loans.

SINGLE FAMILY MORTGAGE PROGRAM

The home financing program is exclusively supported from the sale of tax-exempt Mortgage Revenue Bonds issued periodically by the Board. The tax-exempt status allows the agency to pass along the interest savings to lower income persons and families in the form of low-interest home loans.

Mortgage loan applications are originated and processed in compliance with Federal Housing Administration (FHA), Veterans Affairs (VA) or the Rural Development (RD) Guaranteed Rural Housing Loan Program underwriting criteria by Board-approved Montana real estate lenders. The person or family reserves mortgage funds through an approved lender on a first-come first-serve basis with the Board.

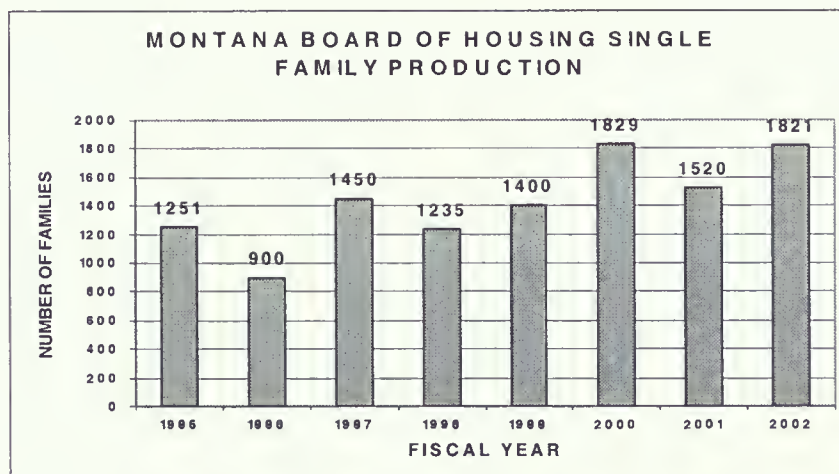
The FHA insured, VA guaranteed or RD guaranteed mortgage is generally made for a term of 30 years. The mortgage interest rate is determined by the price the Board must pay to investors on the tax-exempt bonds. Each person or family, in addition to qualifying under the FHA, VA or RD

requirements, must also meet certain program loan requirements and Federal Eligibility Requirements. Generally, the requirements for each person or family are as follows:

- the home is to be owner-occupied with limited business use of the property;
- the purchaser is to be a first-time home buyer except for certain targeted areas;
- the purchase price of an existing home may not exceed the FHA maximum mortgage limit for the area;
- family income may not exceed income limitations as established by the Board;
- the refinancing of an existing home loan is not permitted.
- The acquisition cost of a new home (lot, well, septic, construction cost) cannot exceed 135% of the FHA maximum mortgage limit for the area. The loan amount cannot exceed the FHA maximum mortgage limit for the area.

Over the years, the Board has developed many partnerships with local governments and non-profit agencies that assist borrowers with down payment and closing costs. These partnerships have enabled many families to purchase homes through the regular bond program, preserving the limited funding available in the recycled programs for those families that do not qualify under any other circumstances.

During the Fiscal Year ended June 30, 2002 the Board originated approximately \$132 million in mortgages, assisting 1,655 Montana families with home ownership. 1390 of the mortgages were made with new bond funds, and 265 with recycled funds.



RECYCLED SINGLE FAMILY MORTGAGE PROGRAM

The Board has made additional mortgage funds available through the recycling of mortgage prepayments and other funds held under prior bond issues of the Single Family Mortgage Program. The Board's goal with the recycled funds is to assist those lower income persons and families which do not have the financial capabilities to purchase a safe and sanitary home through other Single Family Programs. Applications for recycled fund set asides are submitted through the Board's "Request for Proposal" process, on a monthly basis. Since 1986, 2933 families have achieved homeownership through financings with \$146,751,960 of recycled funds.

CITY OF BILLINGS AFFORDABLE FIRST-TIME HOME BUYERS PROGRAM

The Board set aside \$14,000,000 in recycled mortgage funds to provide the permanent financing for first-time home buyers in the city of Billings whose incomes do not exceed 60% of the median and for one reason or another do not qualify for traditional financing without assistance. The City of Billings will provide assistance for down payment, closing cost, mortgage buy down, and minor home repairs for low income individuals who are currently unable to become homeowners. The City of Billings funds are provided through the Federal HOME Program under which the City is an entitlement community. This program has provided financing for 267 home buyers, whose average income was \$20,769, with an average permanent loan amount of \$58,467 in fiscal year 2002.

CITY OF KALISPELL AFFORDABLE FIRST-TIME HOME BUYERS PROGRAM

The Board set aside \$1,628,000 in recycled mortgage funds to provide the permanent financing of 24 three and four-bedroom units in the City of Kalispell's South Woodland Avenue Project and \$1,058,000 in recycled mortgage funds to provide the permanent financing of 20 two-bedroom units in the City of Kalispell's South Meadows Project for low income first-time home buyers in the City of Kalispell. The City of Kalispell has been awarded \$800,000 from HOME and CDBG to develop the seven acre city-owned South Woodland Avenue site. The City will use \$200,000 in UDAG program income to finance the infrastructure on the South Meadows site. Additionally, the City will use a \$198,000 Federal Home Loan Bank grant to provide down payment and closing cost assistance to the home buyers. Infrastructure has been completed on both sites. Forty-five homes have been completed. Home buyer income has averaged \$21,874 and permanent loans have averaged \$49,998.



GLACIER AFFORDABLE HOUSING FOUNDATION

The Board set aside \$8,450,000 in recycled mortgage funds to provide the permanent financing single family homes in Flathead, Glacier, Lake, Lincoln, Sanders and Yellowstone Counties for low and very low income individuals. The Foundation has been successful in obtaining a grant from the Federal Home Loan Bank for \$610,000 and grants from the HOME program totaling \$896,517 to provide down payment, closing cost, and mortgage buy down assistance. The Foundation also received CDBG grants totaling \$400,000 to provide additional assistance to low and very low income individuals.

This program has provided financing for 120 home buyers, whose average income was \$19,863, with an average permanent loan amount of \$51,088.

HUD SECTION 184 INDIAN HOUSING PROGRAM

The Board set aside \$1,000,000 in recycled mortgage funds to provide the permanent financing for single family homes located on trust land on an Indian Reservation that are guaranteed by HUD through Section 184 for Native Americans. The Board worked with local banks, tribal representatives, bond counsel, and state and regional HUD officials to get special consideration and guarantees from the Secretary of HUD in Washington D.C. to enable the Board to participate in this program. The Board has purchased seven loans where two of the residences are located on the Blackfeet reservation, four on the Flathead reservation, and one on the Northern Cheyenne reservation.



DISABLED ACCESSIBLE AFFORDABLE HOME OWNERSHIP PROGRAM

The Board set aside \$9,050,000 to provide affordable architecturally accessible homes for people with permanent disabilities and mobility impairments. The Board has financed a total of 138 homes through June of 2002 with \$8,446,311 in recycled mortgage funds. The average household income is \$16,228 with an average loan amount of \$60,395. Loans are distributed among 22 Montana counties.

NEIGHBORHOOD HOUSING SERVICES, INC. OF GREAT FALLS (NHS)

NHS, a non-profit housing provider, has been in operation since 1980 and has had a major impact in revitalizing two neighborhoods in Great Falls and 51 other counties. The Board began work with NHS in 1986, to offer affordable home ownership opportunities to lower income individuals and families in conjunction with NHS's neighborhood revitalization.

The Board has provided \$32,989,894 in permanent mortgages to date, since 1986, for eleven separate low income home ownership programs sponsored by NHS. As of June 30, 2002, through the excellent partnership with NHS, over 714 individuals and families have achieved affordable home ownership, **with 137 of those becoming homeowners in Fiscal Year 2002.**

RAVALLI COUNTY

The Board set aside \$1,950,000 at 6% interest in recycled mortgage funds for the permanent financing of 30 homes for low and very low income homebuyers in Ravalli County. The county will use \$432,000 HOME Program Grant for down payment, closing cost, and mortgage buy-down. To date the Board has financed 23 families whose income average is \$20,969 with a purchase price average of \$87,182.

NHS MT HOME OWNERSHIP NETWORK

The Montana Home Ownership Network is a partnership of Montana non-profit and private corporations, government officials, and residents of Montana communities which provide home ownership opportunities in order to stabilize Montana communities and assist people who would otherwise be unable to achieve the American dream of home ownership. The Board has set aside \$12 million for this program and has financed 181 families with very low income.

RURAL HOUSING LOAN LEVERAGING PROGRAM

The Board initially set aside \$659,200 of recycled funds at 6.0% interest for a proposal from Rural Development (RD) to leverage \$659,200 from RD with interest rates that range from 1.0% for borrowers whose income does not exceed 50% of the area median income, to 2.0% for borrowers whose income does not exceed 55% of the area median income, and to 3.0% for borrowers whose income does not exceed 60% of the area median income. In this program MBOH will purchase a first mortgage, (30 year, FHA insured, 6.0% rate) for half of the loan. RD will make a loan secured by a second mortgage at a 1.0%, 2.0%, or 3.0% rate for the other half of the loan. This program has provided financing for 483 home buyers, whose average income was \$20,716, with an average permanent loan amount of \$30,012. A total of \$14,485,395 has been provided for permanent mortgages.

Due to the success of the program and the request of rural development, the board expanded the program to include families whose income does not exceed 80% of the area median. The MBOH loan amount ranges from 10% to 50% keeping the monthly payment rate between 27% to 29% of income.

HABITAT FOR HUMANITY MORTGAGE REINVESTMENT PROGRAM

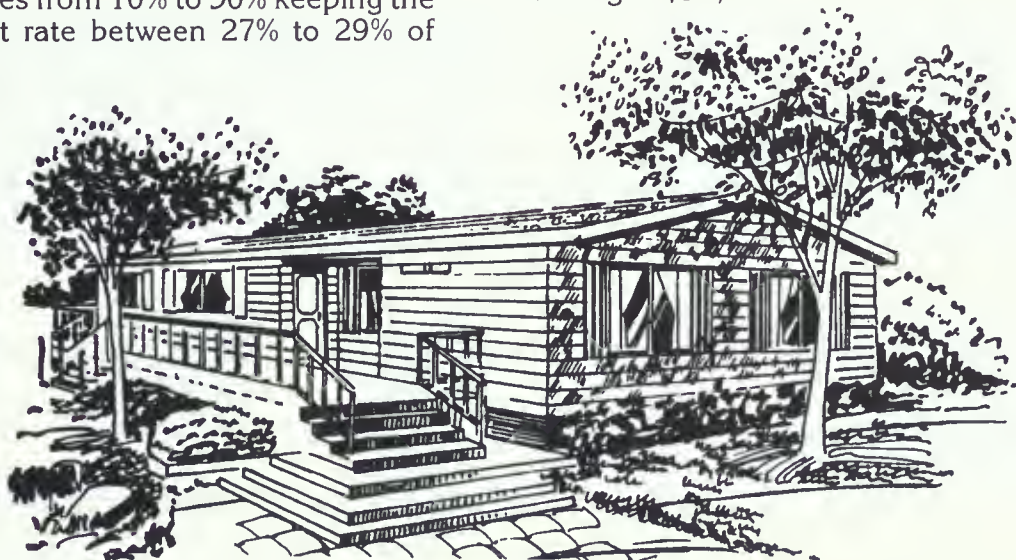
The Board set aside \$1,450,000 for permanent mortgages for Habitat for Humanity Affiliate Member Families. This provides the local Habitat for Humanity Affiliate the ability to recover its construction cost from the home constructed and start construction on an additional home. The program is designed to allow the Habitat for Humanity Affiliates to double their production by each Affiliate building two homes instead of one. As of June 30, 2002 twenty-nine homes for \$1,355,183 have been financed. The average incomes of the member families financed by the program have averaged \$19,785 and the permanent mortgages have averaged \$46,730.

FIRST-TIME HOME BUYER SAVINGS ACCOUNT PROGRAM

The Board established the program in November of 1997 for permanent mortgages for home buyers who have established a qualified savings account for downpayment and closing cost. To date the Board has committed financing for 122 home buyers whose incomes have averaged \$28,918 for homes that have an average purchase price of \$83,421.

CITY OF LEWISTOWN FIRST-TIME HOME BUYER PROGRAM

The Board set aside \$1,400,000 for permanent financing of 28 homes for low and very low income home buyers in Lewistown. The City of Lewistown will use \$268,000 from a HOME program grant, \$21,000 from a Federal Home Loan Bank grant for rehab, downpayment, and closing cost. To date the Board has financed 27 families whose income averages \$17,802 for homes whose financing averages \$36,589.



NATIVE AMERICAN HOUSING LOAN GUARANTEE PROGRAM

The Board set aside \$1,000,000 in recycled mortgage funds at 6% interest for the permanent financing of 20 to 30 homes on the Flathead Reservation. These loans will have the guarantee of the Tribal Housing Authority. These funds will constitute 40% of each financing and will leverage 60% of Rural Development Funds. This is a pilot program for tribal members in Indian Country to have an avenue to get involved in conventional home financing.

CITY OF RED LODGE

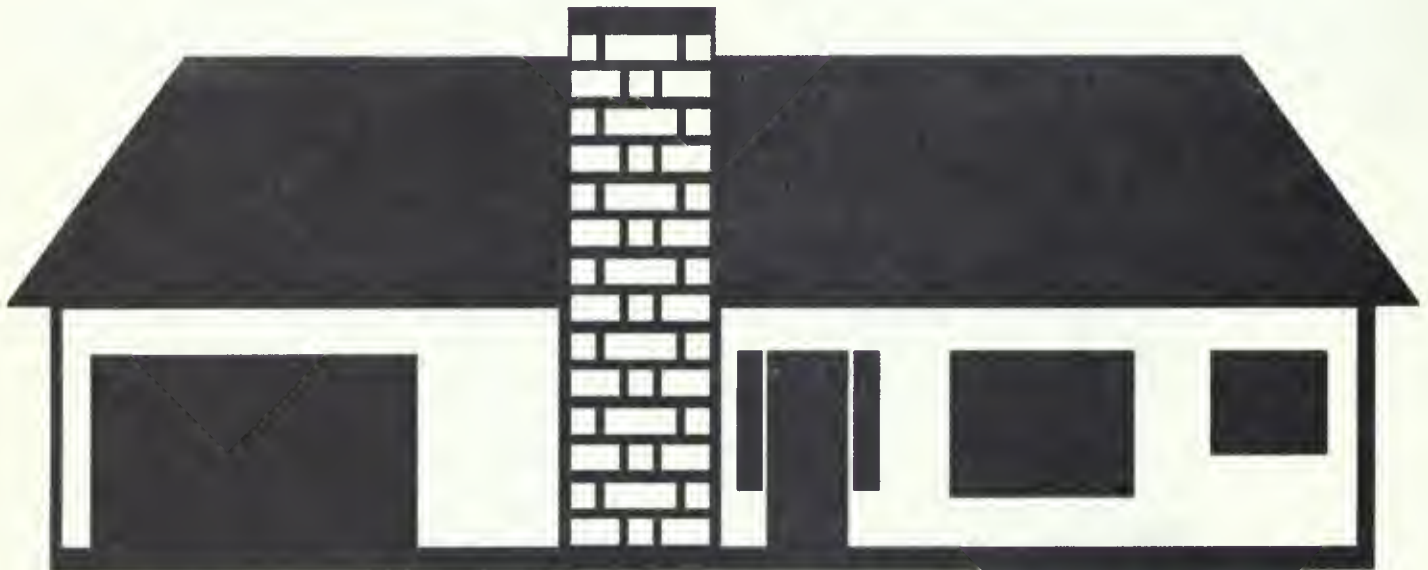
The Board set aside \$700,000 in recycled mortgage funds at 6% interest for permanent financing of 10 homes for low income homebuyers in Red Lodge. The city will use \$294,840 HOME Program Grant for rehab, downpayment, and closing costs. To date the Board has financed five families whose income averaged \$20,574 for home whose purchase price average \$63,448.

GREATER HELENA AREA AFFORDABLE HOME OWNERSHIP PROGRAM (GR8 HOPE)

In October, 2000, the Board set aside \$1,000,000 in recycled mortgage funds at rates of 6 to 6.5% for the permanent financing for first-time homebuyers whose incomes are at or below 80% of the adjusted median income for Lewis and Clark County. The Helena Housing Development Corporation will provide down payment and closing cost loans ranging from \$5,000 to \$20,000, through the administration of funds received from the Federal HOME Program. Homebuyer education is a prerequisite to application for the down payment assistance.

DREAM MONTANA AFFORDABLE MANUFACTURED HOME PROGRAM

In May, 2002, the Board set aside \$1,500,000 in recycled mortgage funds at 6% interest for the permanent financing of manufactured homes in the River Rock subdivision at Belgrade. Under this program, the residents are purchasing the lot on which their existing manufactured housing unit is located, installing permanent foundations under the residences, bringing them into compliance with FHA guidelines, and refinancing the completed residence.



SINGLE FAMILY MORTGAGE PROGRAM LOANS PURCHASED BY COUNTY

County	Number Of Loans Purchased		Original Loan Amount	
	Cumulative 4/1/77-FY2002	FY2002 Activity	Cumulative 4/1/77-FY2002	FY2002 Activity
Beaverhead	119	5	\$ 6,109,238	\$ 362,465
Big Horn	95	7	4,164,011	396,965
Blaine	114	10	4,826,888	365,383
Broadwater	91	5	4,605,599	287,718
Carbon	124	13	6,120,660	652,155
Carter	2	1	91,000	73,000
Cascade	5,060	392	280,265,934	28,357,089
Choteau	53	5	2,167,670	233,374
Custer	590	12	22,254,608	622,991
Daniels	7	0	200,680	0
Dawson	370	9	14,195,209	386,028
Deer Lodge	288	19	9,123,444	839,087
Fallon	44	0	1,738,089	0
Fergus	216	16	8,764,306	787,571
Flathead	2,739	189	165,422,698	16,108,071
Gallatin	1,099	55	66,286,772	5,353,592
Garfield	5	1	195,663	78,764
Glacier	142	10	6,170,240	457,383
Golden Valley	8	2	365,417	109,746
Granite	14	2	513,410	97,256
Hill	898	80	43,821,745	3,818,642
Jefferson	147	9	8,121,169	832,913
Judith Basin	13	1	493,023	26,390
Lake	479	24	25,893,714	1,693,945
Lewis and Clark	1,973	83	109,331,039	6,734,969
Liberty	10	0	375,839	0
Lincoln	314	27	14,213,147	1,152,102
McCone	21	0	837,033	0
Madison	62	2	3,084,146	153,000
Meagher	47	1	1,862,845	64,490
Mineral	91	7	4,406,142	556,762
Missoula	3,590	162	216,790,697	15,875,622
Musselshell	34	0	1,470,972	0
Park	287	11	13,171,002	817,436
Petroleum	1	0	19,550	0
Phillips	49	5	2,027,918	149,359
Pondera	127	3	5,030,893	167,995
Powder River	6	0	245,375	0
Powell	117	7	5,439,818	471,363
Prairie	9	0	376,624	0
Ravalli	466	29	26,050,302	2,027,747
Richland	456	24	19,043,842	962,132
Roosevelt	130	3	5,222,328	135,458
Rosebud	84	10	4,100,469	599,717
Sanders	74	6	3,942,073	417,142
Sheridan	34	1	1,234,251	21,048
Silver Bow	996	115	43,182,116	6,388,723
Stillwater	96	3	5,217,023	228,115
Sweetgrass	45	7	2,553,957	466,553
Teton	91	12	4,488,558	715,533
Toole	110	13	4,376,656	691,544
Treasure	1	0	65,620	0
Valley	161	1	6,471,234	240,777
Wheatland	15	2	520,712	28,356
Wibaux	6	0	188,803	0
Yellowstone	7,305	422	415,438,567	31,710,494
STATE TOTAL	29,465	1,823	\$1,602,690,738	\$132,616,965

Multifamily Loan Programs

Assistance in the development and retention of multifamily units for lower income Montanans has been accomplished through several multifamily loan programs.

Multifamily Bond Program
Pilot Program for Multifamily Rental Housing
Risk Sharing Program for Multifamily Housing
G.O. Program for Multifamily Rental
Special Program Funds
Low Income Housing Tax Credit Program



THE HISTORY OF THE

REIGN OF HENRY THE SEVENTH

BY JOHN HALLAM

IN THREE VOLUMES

LONDON: PRINTED BY J. JOHNSON, ST. PAULS CHURCH-YARD, 1798

Vol. I.

CHAP. I.

THE REIGN OF HENRY THE SEVENTH

MULTIFAMILY BOND PROGRAM

The Board has issued several series of bonds to finance specific projects. In addition to financing projects from bond proceeds the Board has used funds within the indenture to finance projects. The following sections illustrate these programs.

PROJECTS FINANCED UNDER SECTION 8 "NEW CONSTRUCTION" PROGRAM AND OTHER HUD PROGRAMS

<u>Series and Project:</u>	<u>Location</u>	<u>Units</u>	<u>Original Principal Amount</u>	<u>Construc- tion Loan Rate</u>	<u>Permanent Mortgage Loan Rate</u>
<u>1978 Series A:</u>					
Clark Fork Manor	Missoula	<u>134</u>	<u>\$ 4,628,000</u>	8.0%	7.0%
<u>1979 Series A (1992 Series A):</u>					
Crestwood Inn	Sidney	72	2,188,500	9.0%	7.5%
Silver Bow Village	Butte	60	1,925,000	8.5%	7.5%
Broadview Manor	Great Falls	<u>20</u>	<u>713,200</u>	8.5%	7.5%
		<u>152</u>	<u>4,826,700</u>		
<u>1982 Series A (1992 Series A):</u>					
Grand View Place	Missoula	<u>48</u>	<u>1,695,200</u>	12.0%	12.0%
<u>Other:</u>					
Miles Building - Bld	Livingston	<u>40</u>	<u>1,081,885</u>	14.5%	NA
		<u>40</u>	<u>1,081,885</u>		
<u>1980 Series A Construction Loan Notes:</u>					
Cedar View	Malta	32	1,269,900	11.0%	NA
Chair III	Whitefish	16	618,400	11.0%	NA
El Dorita Village	Kalispell	36	1,092,000	11.0%	NA
Rose Park Plaza	Billings	<u>112</u>	<u>3,222,100</u>	11.0%	NA
		<u>196</u>	<u>6,202,400</u>		
		<u>648</u>	<u>\$20,804,685</u>		

PILOT PROGRAM FOR MULTIFAMILY RENTAL HOUSING

In February of 1993, the Board introduced its Pilot Program for Rental Housing by seeking proposals from governmental units, non-profits attached to governmental units and private non-profits to develop multifamily rental housing. These projects were funded with monies in the Multifamily Trust Indenture.

Since its inception the Board has loans through the Multifamily Pilot Program for Rental Housing to non-profit and governmental sponsors for the following projects:

<u>Project:</u>	<u>Location</u>	<u>Units</u>	<u>Original Principal Amount</u>	<u>Permanent Mortgage Loan Rate</u>
<u>LOANS CLOSED</u>				
Minnesota - pd.	Missoula	2	\$ 42,000	6%
Strand	Missoula	2	\$ 64,000	6%
Ronan Duplex	Ronan	2	\$ 86,963	6%
Ronan 4-Plex	Ronan	4	\$ 121,933	6%
Courtyard	Kalispell	16	\$ 271,000	6%
Bozeman Interfaith	Bozeman	9	\$ 227,557	6%
Holland Park	Great Falls	16	\$ 266,000	6%
Spring Garden	Billings	<u>8</u>	<u>\$ 121,000</u>	6%
		<u>59</u>	<u>\$ 1,200,453</u>	

RISK SHARING PROGRAM FOR MULTIFAMILY HOUSING

On June 13, 1994 the Board received final approval from the Department of Housing and Urban Development (HUD) to participate in the Risk Sharing Program. The Risk Sharing Program works in partnership with HUD, whereby HUD provides mortgage loan insurance and the Board provides mortgage underwriting and loan management as well as financing, and the two entities share the risk of loss from a project default. Some of these loans are funded with bond proceeds, and some are funded with monies in the Indenture. Currently the Board has the following projects:

<u>Project:</u>	<u>Location</u>	<u>Units</u>	<u>Original Mortgage</u>	<u>Rate</u>
<u>CLOSED LOANS</u>				
West Babcock	Bozeman	24	\$ 830,000	7.25%
Phillips Apts.	Missoula	8	\$ 269,000	6.00%
The Miles Building	Livingston	40	\$ 550,000	6.00%
Big Sky Manor	Kalispell	60	\$ 797,436	9.75% Taxable
Columbia Villa	Columbia Falls	36	\$ 781,635	4.59%
Darlington Manor	Bozeman	100	\$ 2,406,305	4.59%
La Vatta Villa	Deer Lodge	24	\$ 437,147	4.59%
Parkside Village	Missoula	104	\$ 3,233,511	4.59%
Valley View	Kalispell	52	\$ 1,141,402	4.59%
Green Meadow Manor	Libby	34	\$ 402,564	9.75 Taxable
		482	\$ 10,849,000	

(all Risk sharing loans also have a .5% MIP payment in addition to mortgage rate)

G.O. PROGRAM FOR MULTIFAMILY RENTAL HOUSING

The Board's General Obligation (G.O.) Program for Multifamily Rental Housing provides mortgage financing to owners of qualifying housing when the owner agrees to restrict the rents to a specific amount, and to rent only to tenants below a maximum income level (generally 50 or 60% of median income). Currently this program is financing the permanent loans for small projects which receive multiple sources of funding through other programs, where rents on the project are affordable to very low income state residents. This program is being funded through the Board's first ever G.O. bond issue in 1998. The G.O. rating of A2 allows the Board to issue bonds to finance projects which rating agencies would not rate highly on a stand-alone basis. The G.O. rating allows the Board to use its financial and management strength to leverage projects that would otherwise be impossible to finance. Currently the Board has the following projects:

<u>Project:</u>	<u>Location</u>	<u>Units</u>	<u>Original Mortgage</u>	<u>Rate</u>
<u>G.O. PROGRAM FOR MULTIFAMILY RENTAL HOUSING:</u>				
<u>CLOSED LOANS</u>				
Whitefish Apartments	Whitefish	4	\$138,037	6.00%
The Bridge Apartments	Missoula	20	\$250,000	0.00%
				(rate bought down from 6%)
Pond Row	Bozeman	20	\$567,500	7.00%
Cottages at Edna Court	Superior	8	\$128,000	6.5%
Parkside Apartments	Hamilton	24	\$225,000	5.50%
				(rate bought down from 6%)
		76	\$1,308,537	

Special Program Funds

Periodically the Board receives funding requests for projects which do not fit in to any of the categories for funding with bond proceeds. The Board has a commitment to funding projects with specific targeting to housing needs the Board might miss through its established programs. As these special project needs are identified, the Board determines whether funds are available within any of the indentures, and provides mortgage funding. Typically the Board's loan is significantly less than 50 percent of the total cost of the project.

SPECIAL PROGRAM FUNDS

CLOSED LOANS

units

Samaritan House	Kalispell	80	\$ 85,000	6.00%
Safe House	Hamilton	10	\$102,323	6.00%
		<u>90</u>	<u>\$187,323</u>	

PURPOSE OF LOAN

First Mortgage on Homeless Shelter &
Transitional Housing

Battered Women's Shelter &
Transitional Housing

LOW INCOME HOUSING TAX CREDIT PROGRAM

The Low Income Housing Tax Credit (LIHTC), established by Congress in the Tax Reform Act of 1986, is intended to provide for the retention, rehabilitation and construction of low income rental housing. Through the tax credit, developers and owners of qualified housing receive an annual federal tax credit for 10 years, based on the number of housing units provided to low income individuals and families.

In Fiscal Year 2001-2002, the Board allocated \$2,438,038 in tax credits to assist in the development of thirteen projects containing 320 low income housing units with total projected development costs of \$40,173,569. Since the inception of the program in November, 1987, the tax credit has been utilized in the rehabilitation and production of 3,919 low income housing units in 141 separate projects with total construction costs of \$231,641,800. This comprises over 50% of multifamily rental housing development in the state.

Low Income Housing Tax Credit Program Allocations by City

1987 through June 30, 2002

City	Number of Developments	Number of LIHTC Units	LIHTC Allocated	Total Development Costs
Absorakee	1	32	\$ 15,134	\$ 755,867
Belgrade	4	84	322,250	4,279,966
Big Fork	1	32	46,963	1,488,538
Big Sky	2	48	205,749	2,559,787
Big Timber	1	24	36,186	1,149,013
Billings	14	517	2,265,154	27,946,222
Bozeman	9	378	2,186,021	25,377,351
Browning	1	20	275,000	2,531,627
Butte	2	68	375,712	5,054,364
Chester	1	6	3,030	275,296
Chinook	1	12	7,156	201,224
Columbia Falls	4	92	171,913	5,231,174
Corvallis	2	36	316,969	3,160,249
Cut Bank	1	19	31,659	1,034,474
Darby	1	8	80,000	819,227
Deer Lodge	2	48	42,673	1,404,865
Elmo	1	10	64,000	455,136
Fort Benton	1	10	13,938	355,562
Forsyth	2	36	54,228	1,724,391
Fort Belknap	1	11	52,800	834,415
Glasgow	1	6	9,780	298,101
Great Falls	6	294	1,083,018	18,109,015
Hamilton	4	119	641,806	7,933,042
Hardin	2	40	77,324	1,937,806
Havre	7	30	32,660	873,588
Hays	1	11	52,800	834,415
Helena	5	144	861,312	10,091,746
Hysham	1	12	28,373	765,857
Joliet	1	1	1,409	35,313
Kalispell	10	368	1,268,890	19,960,615
Laurel	2	40	176,345	2,273,121
Libby	1	34	167,502	2,791,239
Livingston	3	82	257,188	4,342,566
Medicine Lake	1	4	3,595	78,576
Miles City	1	32	61,215	2,085,110
Missoula	18	695	2,857,721	41,283,843
Pablo	5	99	916,906	9,732,156
Plains	1	9	11,600	310,923
Polson	3	102	204,500	4,889,989
Redlodge	1	32	178,520	2,135,786
Ronan	4	43	193,317	2,114,463
Scoby	1	11	13,980	612,000
Shelby	1	12	16,960	487,300
St. Ignatius	1	9	11,000	264,260
Stevensville	1	30	37,178	1,044,900
West Yellowstone	1	53	178,193	2,563,215
Whitefish	5	110	475,517	6,884,629
Winnett	1	6	9,626	269,478
Total	141	3,919	\$16,394,770	\$231,641,800

Affordable Housing Revolving Loan Fund

The 1999 Legislature found that current economic conditions, federal housing policies, and declining resources at the federal, state, and local levels adversely affect the ability of low-income and moderate-income persons to obtain safe, decent, and affordable housing. Because of this, the Affordable Housing Revolving Loan Fund was established.

This fund will be used to provide loans to projects providing affordable housing in Montana. These projects will typically need that last small piece of financing to make them feasible.

The Montana Board of Housing did receive a \$1,500,000 grant from the Federal Home Loan Bank of Seattle through its Affordable Housing Program. This grant was specifically earmarked for the Montana Preservation Project. In order to maximize other funding sources the grant was loaned, by the Board, to each project as 50 years deferred mortgages. If a project generates additional income the loans may begin to pay back the money. But if sufficient income is not generated the loans will not be paid for 50 years. The Board has placed these mortgages in the Affordable Housing Revolving Loan Fund. But as previously stated, these loans may or may not begin to be repaid for 50 years. The following is a list of these loans:

PROJECT	LOCATION	AMOUNT
A. Columbia Villa	Columbia Falls	\$ 316,800
B. Darlinton Manor	Bozeman	\$ 55,000
C. LaVatta Villa (Pebblestone Square)	Deer Lodge	\$ 60,000
D. Parkside Village	Missoula	\$ 10,400
E. Valley View (Valley View)	Kalispell	\$ 551,200
F. Big Sky Apts.	Kalispell	\$ 202,368
G. Green Meadow Apts.	Libby	\$ 234,600
H. Parkside Apartments	Hamilton	\$ 69,632
		<u>\$ 1,500,000</u>

The 2001 legislature added three other funding sources to the affordable Housing Revolving Loan Fund. Two sources are \$500,000 from the Section 8 reserve account and approximately \$3.4 million from the Temporary Assistance to Needy Families grant (TANF). These two funding sources are transfers from existing programs. The third source is from direct donations that would qualify for a tax credit. These sources began July 1, 2001. The TANF funds were reduced to \$700,000 by the 2002 special legislative session which met in August of 2002.

(1) The first part of the report is a summary of the work done during the year.

Reverse Annuity Mortgage "RAM"



Reverse mortgages allow eligible Montana homeowners to borrow against the equity in their homes. The homeowner is reversing the process of when they bought their home. At that point in their life they had income and wanted equity. Now they have equity and want the income. The homeowner receives monthly payments to increase their cash flow. The loans do not require repayment as long as the homeowner remains in the home.

Montana Board of Housing Reverse Annuity Mortgage Program

PURPOSE: Many senior citizens in Montana own their own homes, and have little or no remaining mortgage debt. Many of these homeowners are persons of lower income who would benefit from an additional income source from the use of equity in their homes. The reverse annuity mortgage loans would enable senior homeowners to provide more substantially for their own in-home support and specialized care.

Mortgage Interest Rate: 5.0%

Age Requirement: All borrowers to be 68 years of age or older. Some exceptions may be considered.

Income Limit: The Borrower's Annual Family Income must not exceed the following:

1 person household	\$17,720
2 person household	23,880
3 person household and up	30,040

Property Eligibility: The home must be located in Montana. The borrowers must be the owner and occupant of a single-family dwelling that is unencumbered by any prior mortgage, lien or pledge. A single-family dwelling means a one-to-four-family living unit, excluding a single-wide mobile home. A single-family dwelling must meet minimum FHA property standards as determined by an FHA appraisal.

Loan Amount: The loan amounts range from a minimum of \$15,000 to a maximum of \$70,000. The maximum loan amount is determined based on 80% of the FHA determined property value.

Payment Terms: The net loan proceeds are advanced monthly to the borrowers based on a ten-year term.

Lump Sum Advances: Lump sum advances are available at loan closing. \$2,500 is available for such items as payment of prior mortgages, liens, pledges or for needed repairs to the home. Some exceptions may be considered. An advance is available for certain loan closing costs. Lump sum advances reduce the amount of the monthly loan advance.

Counseling: Potential borrowers must complete a reverse annuity mortgage counseling program in order to submit an application. The counseling network is provided through the Montana Aging Services Network.

Applications: Applications may be obtained by contacting the Montana Board of Housing, PO Box 200528, Helena, MT 59620-0528, telephone 841-2840, 1-800-761-6264 or the Office on Aging, PO Box 204001, Helena, MT 59620-4001, telephone 1-800-332-2272. The applications may be completed during the required reverse annuity mortgage counseling.

Reverse Annuity Mortgage Current Program Statistics

Community	# of Loans	Household Sizes	Borrower Age	Average Annual Income	Average Loan Amount
Alberton	1	1	77	\$ 9,232	\$40,000
Ashland	1	1	64	\$ 6,168	\$20,800
Belgrade	3	1,2,1	70 to 84	\$12,810	\$60,000
Big Timber	1	1	80	\$ 9,288	\$47,200
Billings	6	1,2,1,2,1,1	76 to 87	\$11,922	\$60,817
Bozeman	3	1,1,1	77 to 88	\$12,847	\$65,000
Butte	4	1, 2, 2, 1	72 to 80	\$10,620	\$36,100
Circle	1	1	75	\$ 9,348	\$50,000
Columbus	2	2,1	79 & 85	\$13,294	\$60,000
Dillon	2	2	78 & 78	\$ 7,056	\$35,520
Glendive	1	1	74	\$ 6,272	\$44,800
Great Falls	10	7@1, 3@2	67 to 81	\$11,020	\$68,456
Hamilton	2	1,2	65 to 74	\$11,781	\$45,000
Havre	2	1,2	77 to 80	\$14,070	\$34,000
Helena	3	1,2,1	74 to 78	\$13,271	\$55,000
Kalispell	4	2,1,2,1	72 to 84	\$11,031	\$45,750
Laurel	1	2	83 & 84	\$11,039	\$40,240
Libby	1	2	76 & 86	\$14,712	\$50,000
Livingston	3	1,1,2	81 to 85	\$ 9,126	\$63,334
Malta	1	1	71	\$ 5,280	\$16,800
Manhattan	1	1	71	\$ 8,944	\$50,000
Missoula	4	1,1,1,3	70 to 84	\$14,325	\$52,467
Polson	1	1	81	\$ 7,696	\$40,000
Reygate	1	1	87	\$ 8,034	\$44,000
Shelby	1	1	75	\$ 9,330	\$50,000
Sheridan	3	2,2,1	69 to 84	\$16,152	\$70,000
Sidney	2	2,2	67 to 87	\$21,145	\$42,400
Somers	1	1	71	\$ 5,314	\$25,000
Stevensville	2	1, 1	72 to 75	\$11,473	\$49,400
Townsend	1	1	85	\$10,229	\$32,000
Virginia City	1	2	71 & 69	\$18,101	\$50,000
			FY 2001-02	Overall Program	
Active Loans			12	46	
Prepaid Loans			<u>6</u>	<u>30</u>	
Total Loans			18	76	
Average Borrower Age				76	
Average Borrower Annual Income				\$12,631.00	
Average Loan Amount				\$52,929.00	

Accounting and Reporting

The accounting and reporting function at the Board accounts for approximately 10,600 mortgages totaling in excess of \$651 million. This includes reconciling all mortgages on a monthly basis from reports received from approximately 40 contracted loan servicers. This year the staff also accounted for \$63 million in mortgage prepayments and repayments according to Indenture direction. The accounting staff accounts for principle and interest on bonds payable of approximately \$695 million in 24 bond issues. In addition, the staff processed \$114 million in bond calls and maturities in fiscal year 2002. The accounting staff also accounted for investment purchases of approximately \$406 million, and maturities and sales of approximately \$471 million.

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APPENDIX A

MONTANA BOARD OF HOUSING

FINANCIAL REPORT

JUNE 30, 2002

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Montana Board of Housing
Helena, Montana:

We have audited the accompanying Statement of Net Assets of the Montana Board of Housing, a component unit of the state of Montana, as of June 30, 2002 and 2001, and the related Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows for the fiscal years then ended. The information contained in these financial statements is the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montana Board of Housing as of June 30, 2002 and 2001, and the results of operations and its cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

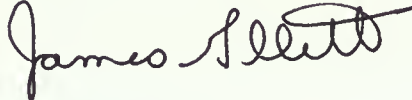
The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Combining Statement of Net Assets as of June 30, 2002, and the related Combining Statements of

Revenues, Expenses and Changes in Net Assets and Combining Statement of Cash Flows for the fiscal year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements of the Montana Board of Housing. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The other data included in this report were not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Gillett", with a stylized flourish at the end.

James Gillett, CPA
Deputy Legislative Auditor

November 7, 2002

MONTANA

Department of Commerce

MONTANA BOARD OF HOUSING

P.O. Box 200528 ★ Helena, Montana 59620-0528 ★ <http://commerce.state.mt.us>
Phone: 406-841-2840 ★ Fax: 406-841-2841 ★ TDD: 406-841-2702

Management's Discussion and Analysis Year Ended June 30, 2002

This section of the Montana Board of Housing's (MBOH's) annual financial report presents management's discussion and analysis of the board's financial performance during the fiscal year ended June 30, 2002. Please read this section in conjunction with the financial statements and accompanying notes.

Financial Highlights

- 1,655 single family mortgages were originated for \$132 million.
- 1,218 single family mortgages prepaid for \$63 million.
- No multi family mortgages were originated.
- 2 multi family mortgages prepaid for \$1.9 million.
- Total new debt issued was \$90 million.
- Total debt retired was \$114 million.
- Total outstanding debt decreased from \$714 million to \$691 million.

Overview of the Financial Statements

The MBOH is a self-supporting entity using no general fund appropriations to operate. The MBOH is classified as an enterprise fund, that is, a fund that is financed and operated in a manner similar to a private business enterprise.

The financial statements are designed to provide the stakeholders of the MBOH, our citizens, taxpayers, legislatures, customers, clients, investors and creditors, with an overview of the finances of the organization and to demonstrate our accountability for the resources we are entrusted with.

Financial Analysis
Change in Net Assets and Operating Income
Years ending June 30, 2001 and 2002

		June 30, 2002	June 30, 2001	% change incr (decr)
Assets:				
Current Assets	(1)	\$ 63,351,291	\$ 81,121,755	-21.91%
Noncurrent Assets		\$ 754,645,740	\$ 753,389,250	0.17%
Total Assets		\$ 817,997,031	\$ 834,511,005	-1.98%
Liabilities:				
Current Liabilities	(2)	\$ 43,522,411	\$ 14,805,654	193.96%
Noncurrent Liabilities	(3)	\$ 652,917,880	\$ 705,153,730	-7.41%
Total Liabilities		\$ 696,440,291	\$ 719,959,384	-3.27%
Net Assets:				
Invested in Capital Assets		\$ 153,883	\$ 155,656	-1.14%
Restricted		\$ 121,402,857	\$ 114,395,965	6.13%
Total Net Assets		\$ 121,556,740	\$ 114,551,621	6.12%
Operating Revenue:				
Interest on Loans		\$ 41,605,273	\$ 39,697,844	4.80%
Earnings from Investments	(4)	\$ 10,815,722	\$ 13,547,988	-20.17%
Fee and Charges		\$ 479,811	\$ 457,410	4.90%
Total Operating Revenue		\$ 52,900,806	\$ 53,703,242	-1.49%
Operating Expenses:				
Bond Expenses		\$ 42,274,661	\$ 41,430,249	2.04%
Servicing Fees		\$ 2,285,778	\$ 2,138,753	6.87%
General and Administrative	(5)	\$ 1,835,248	\$ 1,572,152	16.73%
Total Expenses		\$ 46,395,687	\$ 45,141,154	2.78%
Operating Income		\$ 6,505,119	\$ 8,562,088	-24.02%
Non-operating Income:				
Transfer from Primary Government	(6)	\$ 500,000	\$ -	100.00%
Change in Net Assets		\$ 7,005,119	\$ 8,562,088	-18.18%

- (1) Current assets decreased by \$17,770,464. This was due to investments being held as short term in 2001 but not in 2002. It also occurred because the board had 3 investment agreements classified as short term in 2001 and only 2 being classified as short term in 2002.
- (2) Current liabilities increased by \$28,716,757. This is because the board had \$26,960,000 of Draw Down bonds that were outstanding at year end and were paid off in July, 2002.
- (3) Noncurrent liabilities decreased by \$52,235,850. This was caused by increased prepayments on mortgages that resulted in increased bond calls reducing our liability.
- (4) Earning from investments decreased by \$2,732,266. This was due to the fact that interest rates have decreased and funds not invested in Gauranteed Investment Contracts realized this reduction in eamings.
- (5) General and Administrative Expenses increased \$263,096. This was due to increases in staff, computer replacement, moving, foreclosure software, maintenance and indirect costs.
- (6) House Bill 57 of the 2001 Montana Legislature directed the transfer of \$500,000 from the Section 8 reserve account. These funds are in the Housing Revolving Loan Account.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2002 AND 2001

ASSETS	FY 2002	FY 2001
Current Assets		
Restricted Cash and Cash Equivalents (Note 2)	\$ 4,938,346	\$ 4,434,480
Restricted Investments (Note 4)	42,223,135	61,310,843
Restricted Mortgage Loans Receivable (Note 5)	10,754,012	9,834,901
Restricted Interest Receivable	5,260,307	5,375,321
Prepaid Expense	175,491	166,210
Total Current Assets	\$ 63,351,291	\$ 81,121,755
Noncurrent Assets		
Restricted Investments (Note 4)	\$ 106,765,083	\$ 151,524,766
Restricted Mortgage Loans Receivable (Note 5)	641,024,258	594,240,527
Deferred Bond Issuance Costs, Net	6,702,516	7,468,301
Capital Assets, Net (Note 7)	153,883	155,656
Total Noncurrent Assets	\$ 754,645,740	\$ 753,389,250
TOTAL ASSETS	\$ 817,997,031	\$ 834,511,005
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 471,978	\$ 374,295
Due to State Government	68,659	59,394
Property Held in Trust	525,295	2,665
Accrued Interest - Bonds Payable	3,866,992	4,500,355
Bonds Payable, Net (Note 8)	37,972,760	9,735,500
Arbitrage Rebate Payable to U.S. Treasury Department (Note 12)	569,833	98,995
Accrued Compensated Absences	46,894	34,450
Total Current Liabilities	\$ 43,522,411	\$ 14,805,654
Noncurrent Liabilities		
Bonds Payable, Net (Note 8)	\$ 652,921,943	\$ 704,598,053
Deferred Refunding Costs	(971,600)	(312,551)
Arbitrage Rebate Payable to U.S. Treasury Department (Note 12)	933,115	842,940
Accrued Compensated Absences	34,422	25,288
Total Noncurrent Liabilities	\$ 652,917,880	\$ 705,153,730
TOTAL LIABILITIES	\$ 696,440,291	\$ 719,959,384
NET ASSETS		
Invested in Capital Assets, Net	\$ 153,883	\$ 155,656
Restricted for Bondholders (Note 1 & 10):		
Unrealized (losses) gains on investments	1,505,336	915,684
Single Family Programs	89,527,524	82,632,302
Various Recycled Mortgage Programs	18,706,508	20,582,785
Multifamily Programs	7,726,557	7,389,692
Multifamily Project Commitments	228,330	214,187
Reverse Annuity Mortgage Program	1,666,924	1,153,930
Cash Assistance Program	-	6,251
Restricted for Affordable Revolving Loan Program	1,898,678	1,501,134
Revolving Loan Program Commitments	143,000	-
TOTAL NET ASSETS	\$ 121,556,740	\$ 114,551,621

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	FY 2002	FY 2001
OPERATING REVENUES		
Interest Income - Mortgage Loans	\$ 41,605,273	\$ 39,697,844
Interest Income - Investments	10,224,635	11,900,652
Fee Income	234,504	207,153
Federal Financial Assistance	240,140	240,866
Net Increase (Decrease) in Fair Value of Investments	589,650	1,646,547
Other Income	5,167	9,391
Securities Lending Income	1,437	789
Total Operating Revenues	<u>\$ 52,900,806</u>	<u>\$ 53,703,242</u>
OPERATING EXPENSES		
Interest on Bonds	\$ 40,521,800	\$ 40,091,169
Servicer Fees	2,285,778	2,138,753
Contracted Services	556,904	526,956
Amortization of Bond Issuance Costs	391,443	226,731
General and Administrative	1,277,057	1,044,429
Securities Lending Expense	1,287	767
Arbitrage Rebate Expense (Note 12)	733,928	714,845
Loss on Redemption (Note 9)	627,490	397,504
Total Operating Expenses	<u>\$ 46,395,687</u>	<u>\$ 45,141,154</u>
 Operating Income (Loss) Before Transfers	 6,505,119	 8,562,088
Transfer from Primary Government (Note 1)	<u>500,000</u>	<u>-</u>
 Increase (Decrease) in Net Assets	 7,005,119	 8,562,088
Net Assets, Beginning of Year	<u>114,551,621</u>	<u>105,989,533</u>
Net Assets, End of Year	<u>\$ 121,556,740</u>	<u>\$ 114,551,621</u>

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	FY 2002	FY 2001
CASH FLOWS FROM OPERATING ACTIVITY		
Receipts for Sales and Services	\$ 192,133	\$ 149,459
Collections on Loans and Interest on Loans	126,111,782	98,580,497
Cash payments for Loans	(132,645,941)	(114,764,179)
Federal Financial Assistance Receipts	240,140	240,866
Payments to Suppliers for Goods and Services	(3,142,506)	(3,275,215)
Payments to Employees	(654,733)	(532,665)
Other Operating Revenues	5,267	9,391
Net Cash Provided (Used) by Operating Activities	<u>\$ (9,893,858)</u>	<u>\$ (19,591,846)</u>
CASH FLOWS FROM NONCAPITAL		
FINANCING ACTIVITIES:		
Payment of Principal and Interest on Bonds and Notes	\$ (153,774,013)	\$ (92,509,632)
Proceeds from Issuance of Bonds and Notes	89,180,000	142,940,000
Payment of Bond Issuance Costs	(591,555)	(1,452,201)
Premium Paid on Refunding Bonds	(421,700)	(88,100)
Good Faith Deposit being Held	521,900	-
Transfers in (out)	500,000	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (64,585,368)</u>	<u>\$ 48,890,067</u>
CASH FLOWS FROM CAPITAL AND RELATED		
FINANCING ACTIVITIES:		
Acquisition of Capital Assets	\$ (49,695)	\$ -
Net Cash Used by Capital and Related Financing Activities	<u>\$ (49,695)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	\$ (406,412,602)	\$ (402,993,977)
Proceeds from Sales or Maturities of Investments	471,073,232	361,964,918
Interest on Investments	10,545,071	13,142,433
Arbitrage Rebate Tax	(172,914)	-
Net Cash Provided (Used) by Investing Activities	<u>\$ 75,032,787</u>	<u>\$ (27,886,626)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 503,866	\$ 1,411,595
Cash and Cash Equivalents, beginning bal.	\$ 4,434,480	\$ 3,022,885
Cash and Cash Equivalents, ending bal.	\$ 4,938,346	\$ 4,434,480

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	<u>FY 2002</u>	<u>FY 2001</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 6,505,119	\$ 8,562,088
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Depreciation	51,467	46,810
Amortization	1,018,932	624,235
Interest Expense	40,521,800	40,091,169
Interest on Investments	(10,224,786)	(11,900,674)
Arbitrage Rebate Tax	733,928	714,845
Bad Debt Allowance	50,000	100,000
(Incr) Decr in Fair Value of Investments	(589,650)	(1,646,547)
Change in Assets and Liabilities:		
Decr (Incr) in Mortgage Loans Receivable	(48,449,705)	(55,617,200)
Decr (Incr) in Other Assets	(214,553)	(670,325)
Incr (Decr) in Accounts Payable	208,735	(118,605)
Incr (Decr) in Deferred Reservation & Disc. Fees	473,277	210,741
Incr (Decr) in Compensated Absences Payable	21,578	11,617
Net Cash Provided (Used) by Operating Activities	<u>\$ (9,893,858)</u>	<u>\$ (19,591,846)</u>

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2002 and 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Montana Board of Housing (the Board) is a quasi-judicial board created in 1975, by the Legislative Assembly of the State of Montana to facilitate the availability of decent, safe, and sanitary housing to persons and families of lower income as determined in accordance with the Board policy in compliance with the Internal Revenue Code. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$975,000,000. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for payment of amounts so issued. The Board of Housing is attached to the Housing Division, Department of Commerce.

Basis of Presentation:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). During fiscal year 2002 the Board implemented GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments", No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus" and No. 38, "Certain Financial Statement Note Disclosures". In order to comply with the requirements of the statements noted, the Board's financial statements have been modified to include a classified statement of net assets (prior balance sheet), a statement of revenues, expenses, and changes in net assets which reports operating and nonoperating revenues and expenses (prior statement of revenues, expenses, and changes in retained earnings), and the statement of cash flows (unchanged). In addition, the "Management Discussion and Analysis" precedes the financial statements as required supplementary information. The fiscal year 2001 amounts presented in the financial statements have been reclassified to meet the new reporting requirements. Revenues in the proprietary funds are recognized when earned and expenses are recognized when incurred. The financial activities of the Board are recorded in funds established under various bond resolutions and the Montana Code Annotated (MCA). In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and revenues and expenses for the period. The financial statements of the Board are presented on a combined basis. The combining financial information can be found in other supplemental information.

Reporting Entity:

In accordance with governmental accounting and financial reporting standards, there are no component units to be included within the Board of Housing as a reporting entity. The financial statements of the Board of Housing are presented as a component unit in the State of Montana's Basic Financial Statements. The enterprise fund of the Board of Housing is part of but do not comprise the entire proprietary fund type of the State of Montana. The State of Montana directs and supervises budgeting, record keeping, reporting, and related administrative functions of the Board.

Fund Accounting:

To ensure observance of limitations and restrictions placed on the use of resources by the trust indentures, the Board of Housing accounts are organized in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose as described in the trust indentures. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, net assets, revenues, and expenses. The funds of the Board are classified as enterprise funds, that is, a fund that is financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges and investment earnings, and the periodic determination of revenue earned and expenses incurred is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. Net Assets – Restricted for Bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following describes the restrictions on the Net Assets: The individual bond indentures establish certain funds and accounts as special trust funds to hold the individual indenture funds. Because of the nature of the Board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain reserve requirements on cash and investments. These reserves are disclosed in Note 4 to the financial statements. Also, as disclosed in Note 5 to the financial statements, the mortgage loans receivable are pledged as security for

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Accounting – continued

holders of the bonds. Certain indentures also require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

Restricted Net Assets also include funds reserved by participants and funds committed to specific projects under various programs established by the Board.

Revenue and Expense Recognition:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Board records all revenues and expenses related to mortgages, investments, and bonds as operating revenues and expenses.

Fund Structure:

The Board's program funds and other funds have been presented on a combined basis, as the Board is considered a single enterprise fund for financial reporting purposes. A description of the funds established by the Board follows:

Single Family Mortgage Program Funds - These funds, established under four separate trust indentures adopted on various dates, are established for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, restricted to the purchase of eligible single family mortgage loans. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by Veterans Administration or Rural Development.

The accompanying combining financial statements include the activity of several Single Family Mortgage Program Funds. The assets of each individual Single Family Mortgage Program Fund are restricted by the Fund's respective trust indenture; therefore, the total does not indicate that the Single Family Mortgage Program Funds' assets are available in any manner other than provided for in the individual trust indentures. The Board has reserved funds for specific loan programs. These loans will be originated from funds available in the Single Family I and II Indentures.

Multifamily Mortgage Program Funds - These funds, established under a trust indenture adopted February 23, 1978, as amended and restated as of December 29, 1992, are established for accounting for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. Mortgage loans originated prior to December 1992 must be insured by the Federal Housing Administration.

On November 10, 1998, the Board issued \$1,625,000 in Multifamily General Obligation Bonds. These bonds are payable out of any of the Board's moneys, assets or revenue. These funds, established under a trust indenture adopted November 1, 1998, are established for accounting for the proceeds from the sale of Multifamily Mortgage General Obligation Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. The mortgage loans originated under this Indenture are not required to be insured by the Federal Housing Administration.

The Multifamily Program Fund on the combining financial statements, includes activity for both Indentures.

Housing Trust Fund - the Housing Trust Fund was established as a separate trust fund by a resolution of the Montana Board of Housing, adopted February 16, 1989. The Housing Trust Fund was created to finance in whole or in part future housing needs and the establishment of new programs as deemed necessary by the Board and any loans or projects that will provide housing for lower income persons and families with special housing needs. Current programs include, but are not limited to, the Reverse Annuity Mortgage Program (RAM) for senior Montana homeowners and the Cash Assistance Program – Disabled (CAP) to assist disabled individuals and families in the purchase of a single family home. The Housing Trust Fund also includes all activity from the Low Income Housing Tax Credit Program.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Structure - continued

Affordable Housing Revolving Loan Account - Under MCA 90-6-133, a Revolving Loan Account was established. The affordable housing revolving loan account was established in the state special revenue fund in the state treasury. For purposes of financial reporting, the Board has reclassified this account as an enterprise fund as allowed in GASB Statement No. 34. The fiscal year 2001 statement of cash flows has been restated to include activity of the affordable revolving loan account. The money in the loan account is allocated to the board for the purposes of providing loans to eligible applicants. House Bill 57 of the 2001 Legislature authorized the transfer of \$500,000 from the Federal Housing and Urban Development Section 8 administrative fee reserve account to this account. In addition, House Bill 273 of the 2001 Legislature transferred a \$3,415,928 of the Temporary Assistance to Needy Families (TANF) block grant to the Board to be used for purposes authorized by the block grant. Senate Bill 6 of the 2002 Special Session limited the transfer to \$700,000.

Cash and Cash Equivalents:

For the purposes of the combining statement of cash flows, cash and cash equivalents consist of cash held by the State of Montana Treasurer, cash and money market accounts held by trustees, and cash invested in the state's short term investment pool.

Investments:

Investment of the Board's monies is made in accordance with the Board's investment policy, effective April 13, 2000, (revised February 13, 2002) which is in accordance with the trust indentures and the laws of the State of Montana.

Permitted investments are U.S. treasury obligations, U.S. agency obligations, debentures, or notes, certificates of deposits or time deposits, insured by the FDIC or fully insured by U.S. treasury or agency obligations which have a market value at least equal to the amount of such deposits, and investment contracts fully collateralized in an amount equal to 102% of the principal and interest of the agreement.

In no case shall an investment result in a reduction of ratings by Standard & Poor's Rating Services or Moody's Investor Services.

From 1988 to 1992 the Board invested in guaranteed investment contracts that had underlying collateral equal to 100% of the principal and interest of the agreements.

Investments, which are generally intended to be held to maturity, are reported at "fair value", as required by GASB 31.

Mortgage Loans Receivable:

Mortgage loans receivable are carried at their uncollected principal balances, adjusted for unamortized mortgage discounts and deferred loan fees, less an allowance for loan losses. Mortgage discounts and loan fees earned after 1988 are amortized using the interest method over the life of the mortgage loans and are accreted to interest income on mortgages. Mortgage discounts for all other program funds are amortized using the straight-line method over the remaining life of the mortgage loans and accreted to interest income.

The Board purchases mortgage loans secured by residences located throughout the State of Montana. Loans must be insured by the FHA (Federal Housing Administration) or guaranteed by the VA (Veterans Administration) or RD (Rural Development). Guidelines to minimize credit risk are established by FHA, VA, RD & Board policies.

Interest receivable is accrued on the amount of outstanding mortgage loan principal only if deemed collectible. Accrual on non-performing loans ceases at six months.

Estimated losses are determined based on management's judgement, giving effect to numerous factors including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loss experience and independent appraisals. The reserve for anticipated loan losses represents amounts which are not expected to be fully reimbursed by certain guarantors.

The Board incurs mortgage loan service fees with participating loan servicers based on outstanding monthly

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Mortgage Loans Receivable – continued

mortgage loan principal balances. The service fees are paid only when the mortgagee's full monthly payment is collected.

Capital Assets:

Capital assets are recorded at cost and depreciation is computed using the straight-line method over estimated useful lives of 5 to 10 years. The majority of capital assets consist of computers and software. The capitalization threshold for recording capital assets is \$5,000. Purchases under this threshold are recorded as expenses in the current period.

Bonds Payable:

Bonds payable is adjusted for amortized bond premiums and discounts. Bond premiums and discounts are amortized or accreted to interest expenses using the interest method, as an adjustment to yield, over the life of the bonds to which they relate or are expensed upon early redemption of the bonds.

Bond issuance costs, including underwriter discounts, are amortized using the bonds outstanding method over the life of the bonds or are expensed upon redemption of the bonds.

Compensated Absences:

The Board's employees earn vacation leave ranging from 15 to 24 days per year depending on the employee's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave.

NOTE 2. CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents are categorized below to give an indication of the level of risk assumed by the Board. Category 1 includes investments which are insured, registered, or held by the Board or its agent in the Board's name. Category 2 includes uninsured and unregistered investments that are held by the counter party's trust department or agent in the Board's name. Category 3 includes uninsured and unregistered investments that are held by the counter party, or by its trust department or agent but not in the Board's name. All cash held by trustees and cash balances maintained by the State of Montana Treasury and held in the State's Short Term Investment Pool (STIP) were covered by federal depository insurance or collateralized by securities held by third parties in the Board's name. At June 30, 2002 and 2001, the carrying amounts of the Board's cash and cash equivalents equaled the bank balances.

	Category			Totals	
	1	2	3	2002	2001
Program Funds*	\$ 4,788,934	\$ -	\$ -	\$ 4,788,934	\$ 4,402,705
Deposited with State Treasury	149,412	-	-	149,412	31,775
	<u>\$ 4,938,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,938,346</u>	<u>\$ 4,434,480</u>

*Cash deposits are held at the trustee bank. Based on the opinion of the Board's bond counsel, these funds are insured by the FDIC on a pass-through basis to the owners of mortgage bonds. Thus, each individual bondholder is entitled to \$100,000 of insurance coverage.

The units held in the State's Short Term Investment Pool (STIP) are valued at \$1 per unit. Although STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, the Montana Board of Investments (BOI) has a policy that STIP will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. In meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair market value to report net assets to compute unit values. The STIP portfolio includes asset-backed securities, commercial paper, corporate and government securities, repurchase agreements, and variable rate instruments.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 3. SECURITIES LENDING

The Board of Housing invests in the State's Short-Term Investment Pool. As part of the pool administered by the Board of Investments (BOI), the Board participates in securities lending transactions. Under GASB 28, the following disclosures are required:

Under the provisions of state statutes, the BOI has, via a Securities Lending Authorization Agreement, authorized a custodial bank, State Street Bank and Trust, to lend the BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, BOI receives a fee and the custodial bank must initially receive collateral equal to 102% of the market value of the loaned securities and maintain collateral equal to not less than 100% of the market value of the loaned security. BOI retains all rights and risks of ownership during the loan period.

During fiscal years 2002 and 2001, State Street lent, on behalf of BOI, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

BOI did not impose any restrictions during fiscal year 2002 and 2001 on the amount of loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2002 and 2001. More over, there were no losses during fiscal years 2002 and 2001 resulting from a default of the borrowers or State Street.

During fiscal years 2002 and 2001, BOI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and BOI's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which BOI could not determine. On June 30, 2002 and June 30, 2001, BOI had no credit risk exposure to borrowers.

On June 30, 2002 and June 30, 2001, there were no securities on loan.

NOTE 4. INVESTMENTS

The Board's investments are categorized below to give an indication of the level of risk assumed by the Board. Category 2 includes uninsured and unregistered investments that are held by the counter party's trust department or agent in the Board's name. The Board's investments at June 30, 2002 and 2001 consisted of Category 2 investments:

	2002		2001	
	Reported Amount	Fair Value	Reported Amount	Fair Value
U.S. Treasury	\$ 18,299,426	\$ 18,327,053	\$ 20,021,755	\$ 20,021,755
U.S. Agency	26,436,472	26,415,326	38,293,266	38,295,374
Repurchase Agreements and Investment Contracts – Collateralized	104,112,320	104,112,320	154,520,588	154,520,587
Total	<u>\$ 148,848,218</u>	<u>\$ 148,854,699</u>	<u>\$ 212,835,609</u>	<u>\$ 212,837,716</u>

In addition, investments in the Multi-Family program include a property being held as an investment that was returned to the Board via a deed in-lieu of foreclosure. It is currently being reported at its fair market value estimate of \$140,000. The fair value of the property is based on a market analysis of the property. Consideration was given to the income potential of the property as well as the economy and recent sales of similar property.

All repurchase agreements and investment contracts were fully collateralized with securities and cash held by the provider's agent and confirmed by the trustee as required by the bond indentures. Securities underlying the repurchase agreements have a market value of at least 102% of the cost of repurchase agreement. Securities underlying the investment contracts have a market value of at least 100% of the cost of the investment contract

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 4. INVESTMENTS-Continued

plus accrued interest.

Under GASB 31, certain investments are to be reported at fair value. The Board values all of its investments that have a maturity date of over one year at fair value. Those investments that have a maturity date of less than one year are valued at amortized cost. The fair values were based on market prices provided by the Board's trustee.

Portions of cash and investments, valued at amortized cost, are restricted to uses specified by applicable bond indentures. Amounts are restricted as follows:

	<u>2002</u>		<u>2001</u>	
	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
Debt Service Reserve Fund	\$ 39,582,664	\$ 1,370,191	\$ 43,523,767	\$ 1,390,558
Mortgage Reserve Fund	3,970,629	215,695	3,972,851	235,200
Total	<u>\$ 43,553,293</u>	<u>\$ 1,585,886</u>	<u>\$ 47,496,618</u>	<u>\$ 1,625,758</u>

As of June 30, 2002 original bond proceeds of \$11,908,705 were still on deposit in the 2000A, 2000B, 2001A, and 2002A program acquisition funds to be used for the purchase of Single Family Mortgage loans. The proceeds of \$11,908,705 included \$8,356,552 in the 2002A bond issue that was closed on March 19, 2002.

As of June 30, 2002 there was \$20,505,040 in Single Family reservations outstanding in the 2002A and 2002B bond issues. The 2002B bond issue closed on July 9, 2002.

NOTE 5. MORTGAGE LOANS RECEIVABLE

The mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds. Mortgage loans receivable consist of the following:

	<u>2002</u>	<u>2001</u>
Mortgage loan receivables:		
Single Family Program	\$635,411,574	\$584,447,054
Multifamily Program	20,112,660	22,796,968
Housing Trust Program	936,240	990,334
Affordable Revolving Loan Account	<u>1,500,000</u>	<u>1,500,000</u>
	657,960,474	609,734,356
Net mortgage discounts and deferred reservation fees	(5,882,204)	(5,408,928)
Allowance for loan losses and real estate owned (note 6)	<u>(300,000)</u>	<u>(250,000)</u>
	<u>\$651,778,270</u>	<u>\$604,075,428</u>

NOTE 6. ALLOWANCE FOR LOAN LOSSES AND REAL ESTATE OWNED

The following summarizes activity in the allowance for loan losses and real estate owned:

Balance, June 30, 2000	\$150,000
Provision	176,986
Less: Net loans charged off	<u>(76,986)</u>
Balance, June 30, 2001	250,000
Provision	93,923
Less: Net loans charged off	<u>(43,923)</u>
Balance, June 30, 2002	<u>\$ 300,000</u>

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 6. ALLOWANCE FOR LOAN LOSSES AND REAL ESTATE OWNED - continued

The allowance for loan losses includes \$200,000 at June 30, 2002 and \$150,000 at June 30, 2001 for future estimated losses on real estate owned. Real estate owned property is property that is acquired through foreclosure or in satisfaction of loans and is initially recorded at the lower of the related loan balance, less any specific allowance for loss, or fair market value minus estimated costs to sell. The Board held five real estate owned properties as of June 30, 2002 and four as of June 30, 2001.

NOTE 7. CAPITAL ASSETS

Capital assets consist primarily of computer hardware, peripherals, software and other office equipment. Balances are as follows:

	<u>2002</u>	<u>2001</u>
Furniture, fixtures, and equipment at cost	\$412,181	\$362,485
Accumulated depreciation	<u>(258,297)</u>	<u>(206,829)</u>
Net capital assets	<u>\$ 153,884</u>	<u>\$ 155,656</u>

Depreciation expense included in general and administrative expense was \$51,467 and \$46,810 for the years ended June 30, 2002 and 2001 respectively.

NOTE 8. BONDS PAYABLE, NET

Bonds payable, net of premium or discount, consists of the following:

	<u>Original Amount</u>	<u>2002</u>	<u>2001</u>
Single Family I Mortgage Bonds:			
1997			
Series A-1 and A-2 serial and term bonds 4.00% to 6.15% maturing in scheduled semi-annual installments to December 1, 2011, and on December 1, 2016, December 1, 2017, December 1, 2027, December 1, 2029 June 1, 2030 and December 1, 2037	\$91,360,000	\$72,280,000	\$78,210,000
1999			
Series A-1 and A-2 serial and term bonds 4.35% to 5.75% maturing in scheduled semi-annual installments to December 1, 2012, and on December 1, 2014, December 1, 2020, June 1, 2030 and December 1, 2030 and December 1, 2031	60,000,000	50,120,000	56,885,000
2000			
Series A-1 and A-2 serial and term bonds 4.15% to 6.45% maturing in scheduled semi-annual installments to December 1, 2012, and on June 1, 2016, June 1, 2019, December 1, 2020, June 1, 2029 December 1, 2031 and June 1, 2032	87,695,000	74,300,000	83,630,000
2000			
Series B-1 and B-2 serial and term bonds 4.40% to 7.95% maturing in scheduled semi-annual installments to June 1, 2015, and on June 1, 2020, December 1, 2020, December 1, 2029, June 1, 2032 December 1, 2031	71,940,000	68,745,000	71,355,000

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 8. BONDS PAYABLE, NET - continued

	<u>Original Amount</u>	<u>2002</u>	<u>2001</u>
2001			
Series A-1 and A-2 serial and term bonds 4.30% to 5.70% maturing in scheduled semi-annual installments to December 1, 2020, December 1, 2023 December 1, 2031, June 1, 2032 and December 1, 2032	\$71,000,000	\$68,370,000	\$71,000,000
2002			
Series A-1 and A-2 serial and term bonds 1.70% to 5.20% maturing in scheduled semi-annual installments to December 1, 2022, December 1, 2032 and December 1, 2033.	39,000,000	39,000,000	-
Total bonds outstanding Single Family I		<u>\$372,815,000</u>	<u>\$361,080,000</u>
Single Family II Mortgage Bonds:			
1983 -			
Series C, serial, term and Capital Appreciation Bonds (CAB), 5.75% to 10.7% interest. Serial and term bonds, refunded April 15, 1994. CABS are reported at accreted value, and are scheduled for redemption, in part, in semi-annual installments commencing June 1, 2003 to June 1, 2010.	\$114,998,229	\$6,873,533	\$6,590,019
1984 -			
Series A, serial, term and CABS, 7.0% to 11.5% interest. Serial and term bonds refunded August 1, 1994. CABS are reported at accreted value, and are scheduled for redemption, in whole, in an annual installment on June 1, 2010	75,002,290	-	1,845
1985 -			
Series A, serial, term, Postponed Revenue on Future Income Tax(PROFITS), all redeemed. CABS are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments to December 1, 2004 and December 1, 2015 to June 1, 2016.	39,999,625	4,048,388	5,112,148
Series B, term bonds maturing in scheduled semi-annual installments to June 1, 2011.	74,996,862	2,200,000	2,375,000
1992 -			
Series RA, serial and term, 5.65% to 6.5% interest, serial and term bonds maturing to December 1, 2007, and on December 1, 2012, December 1, 2022, and December 1, 2032.	22,520,000	22,520,000	22,520,000

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 8. BONDS PAYABLE, NET – continued

	<u>Original Amount</u>	<u>2002</u>	<u>2001</u>
1994 -			
Series A-1 and A-2, serial and term bonds, 3.1% to 6.1% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 2002, and on June 1, 2015 and December 1, 2024.	\$25,725,000	\$7,000,000	\$9,570,000
Series B-1 and B-2, serial and term bonds, 3.8% to 6.9% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 2002, and on June 1, 2008, December 1, 2014 and June 1, 2025.	40,815,000	920,000	3,515,000
Series C-1 and C-2, serial and term bonds 4.5% to 6.8% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 2008 and on December 1, 2016, June 1, 2020, and December 1, 2026.	20,000,000	-	1,360,000
1995 -			
Series A-1 and A-2 serial and term bonds 4.75% to 6.55% maturing in scheduled semi-annual installments to December 1, 2009, and on December 1, 2012, December 1, 2017, December 1, 2025, and June 1, 2027.	33,580,000	10,870,000	16,445,000
Series B-1 and B-2 serial and term bonds 4.20% to 6.40% maturing in scheduled semi-annual installments to December 1, 2008, June 1, 2006 to December 1, 2008 and on December 1, 2014, December 1, 2021, December 1, 2027, and June 1, 2035.	88,000,000	75,000,000	82,315,000
1996-			
Series A-1 and A-2 serial and term bonds 4.70% to 6.375% maturing in scheduled semi-annual installments to December 1, 2009, and on December 1, 2012, June 1, 2016, June 1, 2024, and December 1, 2028.	65,000,000	40,595,000	47,630,000
1998			
Series A-1 and A-2 serial and term bonds 4.00% to 5.45% maturing in scheduled semi-annual installments to December 1, 2012, and on December 1, 2016, June 1, 2019, June 1, 2027, December 1, 2030 and June 1, 2031.	51,780,000	42,605,000	47,060,000
Series B-1 and B-2 serial and term bonds 4.65% to 5.35% maturing in scheduled semi-annual installments to December 1, 2005 and on December 1, 2013, and on December 1, 2005, December 1, 2016, June 1, 2021, December 1, 2022, December 1, 2030 and , June 1, 2031.	65,000,000	56,945,000	61,515,000
Total bonds outstanding Single Family II		<u>\$269,576,921</u>	<u>\$306,009,012</u>

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 8. BONDS PAYABLE, NET - continued

	<u>Original Amount</u>	<u>2002</u>	<u>2001</u>
Single Family III Mortgage Bonds:			
1988 -			
Series B-1 and B-2, serial and term senior bonds and subordinate bonds, 6.2% to 8.9% interest, maturing in scheduled semi-annual installments to October 1, 2008, and on October 1, 2014 and October 1, 2020.			
Senior Bonds	\$24,000,000	\$1,175,000	\$1,825,000
Subordinate Bonds	1,000,000	-	-
Single Family VIII Mortgage Bonds:			
1991 -			
Series A-1 and A-2, serial and term bonds and subordinate bonds, 5.2% to 8.275% interest, maturing in semi-annual installments to October 1, 2006, and on October 1, 2017, October 1, 2019, and October 1, 2022.			
Senior Bonds	24,000,000	-	6,315,000
Subordinate Bonds	1,000,000	-	135,000
Single Family IX Mortgage Bonds:			
1991 -			
Series B-1 and B-2, serial and term bonds and subordinate bonds, 5.50% to 8.4% interest, maturing in semi-annual installments to October 1, 2004, and on October 1, 2006, October 1, 2017, October 1, 2022 and April 1, 2023.			
Senior Bonds	24,000,000	-	6,770,000
Subordinate Bonds	1,000,000	-	175,000
Single Family X Mortgage Bonds:			
1992 -			
Series A-1 and A-2, serial and term bonds and subordinate bonds, 4.45% to 7.85% interest, maturing in scheduled semi-annual installments to October 1, 2006, and on October 1, 2016, October 1, 2022 and October 1, 2023.			
Senior Bonds	24,000,000	-	8,675,000
Subordinate Bonds	1,000,000	-	345,000
Single Family Mortgage Drawdown Bonds:			
2001			
Drawdown Series – available as needed, not to exceed \$50,000,000, interest at BMA Index + .5% but not less 85% of 1 month LIBOR and not greater than 94% of 1 month LIBOR.			
	23,220,000	<u>27,960,000</u>	<u>-</u>
Total Single Family Mortgage bonds payable, net		<u>\$671,526,921</u>	<u>\$691,329,012</u>

All single family mortgage bonds, except the drawdown bonds, are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100% to 103%.

Single Family III through X mortgage senior bonds are special obligation bonds of the Board of Housing whereas subordinate bonds are general obligation bonds of the Board of Housing.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 8. BONDS PAYABLE, NET - continued

Single Family I and II mortgage bonds are general obligation bonds of the Board of Housing within the individual bond indenture.

The Single Family Mortgage Drawdown bonds are special obligation bonds of the Board of Housing.

	<u>Original Amount</u>	<u>2002</u>	<u>2001</u>
Multifamily Mortgage Bonds:			
1978 -			
Series A, 6.125% interest, maturing in scheduled annual installments to August 1, 2019.	\$4,865,000	\$980,000	\$2,540,000
1992 -			
Series A, 2.95% to 6.55% interest, serial and term Bonds, maturing in scheduled semi-annual installments to August 1, 2006, and on August 1, 2012, and August 1, 2023.	9,725,000	6,740,000	8,400,000
1996			
Series A, 4.10% to 6.15% interest, serial and term Bonds, maturing in scheduled annual installments to August 1 2011, and on August 1, 2016, and August 1, 2026.	890,000	815,000	830,000
1998			
Series A 3.5% to 4.70% interest, serial and term Bonds, maturing in scheduled annual installments to August 1, 2014 and on August 1, 2029.	1,625,000	1,425,000	1,495,000
1999			
Series A 4.95% to 8.45% interest, term Bonds, maturing in scheduled semi annual installments to August 1, 2008, August 1, 2010, August 1, 2016, August 1, 2025, August 1, 2030, August 1, 2037, August 1, 2041 and August 1, 2039	9,860,000	<u>9,455,000</u>	<u>9,790,000</u>
Total bonds outstanding		19,415,000	23,055,000
Unamortized bond premiums		<u>(47,218)</u>	<u>(50,459)</u>
Total Multifamily Mortgage bonds payable, net		<u>\$19,367,782</u>	<u>\$23,004,541</u>
Combined total bonds payable, net		<u>\$690,894,703</u>	<u>\$714,333,553</u>

All multifamily bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption after various dates at prices ranging from 100% to 105%.

The 1998A Multifamily bonds are general obligations of the Board.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 8. BONDS PAYABLE, NET - continued

The following is a primary summary of bond principal and interest requirements as of June 30, 2002:

Year Ending	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds	Principal Totals	Interest Totals
2003	\$ 74,124,924	\$ 1,666,639	\$ 37,972,760	\$ 37,818,803
2004	48,157,806	1,660,855	12,400,952	37,417,709
2005	48,093,189	1,618,847	12,771,605	36,940,431
2006	47,889,897	1,621,387	13,163,818	36,347,466
2007	48,521,557	1,622,013	14,362,354	35,781,216
2008-12	237,079,751	8,101,990	79,372,003	165,809,738
2013-17	233,411,486	7,046,051	95,928,429	144,529,108
2018-22	219,723,927	6,008,725	114,205,000	111,527,652
2023-27	215,641,127	3,648,382	145,575,000	73,714,509
2028-32	166,193,354	2,874,110	140,205,000	28,862,464
2033-37	23,201,369	2,719,755	22,120,000	3,801,124
2038-42	901,469	2,286,474	2,865,000	322,943
Total	<u>\$ 1,362,939,856</u>	<u>\$ 40,875,228</u>	<u>\$ 690,941,921</u>	<u>\$ 712,873,163</u>

Cash paid for interest expenses during the years ending June 30, 2002 and 2001 was \$40,004,290 and \$40,018,177, respectively.

Changes in Bonds Payable

	7/1/2001 Balance	Increases	Decreases	6/30/2002 Balance
Single Family	\$ 691,329,012	\$ 90,327,632	\$ 110,129,723	\$ 671,526,921
Multi Family	23,004,541	-	3,636,759	19,367,782
Total	<u>\$ 714,333,553</u>	<u>\$ 90,327,632</u>	<u>\$ 113,766,482</u>	<u>\$ 690,894,703</u>

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 9. LOSS ON REDEMPTION

During the years ended June 30, 2002 and 2001 the Board redeemed Single Family mortgage program bonds prior to scheduled maturity as follows:

	<u>2002</u>	<u>2001</u>
Single Family I		
December 1	\$10,065,000	\$ 3,300,000
February 1	-	170,000
June 1	<u>15,610,000</u>	<u>7,410,000</u>
	<u>25,675,000</u>	<u>10,880,000</u>
Single Family II		
October 1	3,000,000	-
December 1	14,039,529	13,530,365
June 1	<u>13,898,968</u>	<u>11,984,073</u>
	<u>30,938,497</u>	<u>25,514,438</u>
Single Family III		
October 1	280,000	270,000
April 1	<u>295,000</u>	<u>220,000</u>
	<u>575,000</u>	<u>490,000</u>
Single Family VII		
October 1	-	175,000
April 1	<u>-</u>	<u>-</u>
	<u>-</u>	<u>175,000</u>
Single Family VIII		
July 1	135,000	-
October 1	-	355,000
April 1	<u>-</u>	<u>135,000</u>
	<u>135,000</u>	<u>490,000</u>
Single Family IX		
July 1	175,000	-
October 1	-	310,000
April 1	<u>-</u>	<u>230,000</u>
	<u>175,000</u>	<u>540,000</u>
Single Family X		
October 1	475,000	535,000
April 1	<u>240,000</u>	<u>530,000</u>
	<u>715,000</u>	<u>1,065,000</u>
Multifamily	<u>3,130,000</u>	<u>-</u>
Total	<u>\$61,343,497</u>	<u>\$39,154,438</u>

All such Bonds were redeemed at par or 100% of their compounded value to date of redemption. Unamortized discounts and cost of issuance associated with the bonds redeemed were expended at time of redemption and are reported as losses on redemption of \$627,490 and \$397,504 in 2002 and 2001 respectively.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 10. COMMITMENTS

The Board has reserved and is in the process of purchasing Single Family Mortgages of approximately \$5,498,134 from the issuance of the 2002 Series A Bonds and \$15,006,906 from the issuance of the 2002 Series B bonds.

The Board has committed to purchase Single Family Mortgages as noted below:

HUD Section 184-Indian Housing	\$ 250,000
Glacier Affordable Housing Program	2,323,378
City of Billings	3,188,115
Neighborhood Housing Services MT Home Ownership Network	5,013,839
Neighborhood Housing Services MT Home Ownership Network (Subordinate Loan)	360,633
Habitat for Humanity	344,816
City of Red Lodge	383,196
First Time Homebuyers Savings Account	595,471
USDA Rural Housing Development	1,120,543
Native American Housing Loan Guarantee	986,240
Dream Montana Project	1,500,000
District XI Human Resource Council	1,347,929
Helena Housing Development Corporation	938,659
Disabled Affordable Accessible Homeownership Program	<u>353,689</u>
Total Single Family commitments	<u>\$18,706,508</u>

Other Commitments--Single Family I	
Reverse Annuity Mortgage Program	\$350,000

The Board has the following Multifamily commitments:

Financing Adjustment Factor Subsidy Set aside (restricted by agreement with HUD)	\$228,330
Total Multifamily Commitments	

The Board has committed Housing Trust Funds as noted below:

Reverse Annuity Mortgage Program	\$1,316,924
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Affordable Revolving Loan Account funds committed by the Board:

homeWORD	\$143,000
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These mortgage commitments will be funded through cash and investments.

During the ordinary course of business, the Board incurs expenses under various cancelable leases for rental of equipment and maintenance contracts.

NOTE 11. EMPLOYEE BENEFIT PLANS

The Board of Housing participates in the Public Employees' Retirement System plan. The plan is a statewide, cost-sharing multiple employer defined benefit retirement plan that covers full-time permanent employees. Part-time employees have an option to belong to the retirement plan, depending upon hours worked. The plan is established under State law and is administered by the State of Montana. The plan provides retirement, disability and death benefits to plan members and beneficiaries.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 11. EMPLOYEE BENEFIT PLANS – continued

The plan issues publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Public Employees' Retirement Administration
P.O. Box 200131
100 North Park Suite 220
Helena, MT 59620-0131
406-444-3154

Contribution rates for the plan are required and determined by State law.

The contribution rates for 2002 expressed as a percentage of covered payroll are as follows:

<u>Employee</u>	<u>Employer</u>	<u>Total</u>
6.90%	6.90%	13.80%

The amounts contributed to the plan during the years ended June 30, 2000, 2001, and 2002 were equal to the required contribution each year. The amounts contributed by both the Board and by employees, as required by State law, were as follows:

Fiscal Year	2000 - \$29,149
Fiscal Year	2001 - \$28,107
Fiscal Year	2002 - \$35,328

Deferred Compensation Plan: The Board's permanent employees are eligible to participate in the State of Montana's deferred compensation plan. The compensation deferred is not available to employees until separation from State service, retirement, death, or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria. The plan is governed by Internal Revenue Service Code (IRC) Section 457 and Title 19, Chapter 50, Montana Code Annotated (MCA). The Small Business Job Protection Act of 1996 resulted in changes to IRC Section 457 and Title 19, Chapter 50, MCA. Assets of the deferred compensation plan are required to be held in trust, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. For plans in existence as of August 20, 1996, compliance was required by January 1, 1999.

NOTE 12. CONTINGENT ARBITRAGE REBATE LIABILITY PAYABLE TO U.S. TREASURY DEPARTMENT

The Board has established an accrual for the contingent liability for estimated arbitrage payments due to the Treasury Department in accordance with the Internal Revenue Code. The amount of the rebate in general terms is the difference between the actual interest earned on investments and "allowable" interest as defined by Treasury Department Regulations. Ninety percent of the estimated rebate will be paid to the United States Treasury within 60 days of the end of every fifth bond year until the bonds are retired, at which time 100% of the remaining rebate amount is due.

There was \$172,914 in arbitrage rebate cash payments to the Treasury Department in fiscal year 2002. During fiscal year ended June 30, 2001, no arbitrage rebate cash payments were paid to the Treasury Department. The liabilities are \$1,502,948 and \$941,935 as of June 30, 2002 and 2001, respectively.

NOTE 13. SUBSEQUENT EVENTS

On July 9, 2002, the board issued \$52,190,000 in bonds under the Single Family I Indenture.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2002 and 2001

NOTE 14. REFUNDING AND DEFERRED BOND ISSUANCE COSTS

On May 31, 2001, Series 2001A was issued in the amount of \$71,000,000. In conjunction with the issuance of the 2001A bonds, the Board refunded the 1991A and 1991B bond issues on July 1, 2001.

In addition, on March 19, 2002, Series 2002A was issued in the amount of \$39,000,000. In conjunction with the issuance of the 2002A bonds, the Board refunded the 1992A bond issue on April 1, 2002.

Under GASB 23, deferred costs are required to be amortized over the shorter of the life of the refunded bonds or the life of the refunding bonds.

The following costs associated with the refunding were deferred and are being amortized under the GASB 23 guidelines:

FY 2002 Refunding:

Cost of Issuance related to the refunded bonds (91A, 91B & 92A)	\$237,103
Premium paid on the refunded bonds (91A, 91B & 92A)	<u>421,700</u>
Total deferred refunding costs	658,803
Less amortization FY 2002	<u>(32,261)</u>
Amount remaining to be amortized on FY 2002 issues	\$626,542

Prior years' Refundings:

Unamortized Deferred refunding costs from prior years' refunding	<u>\$345,058</u>
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Total unamortized	<u>\$971,600</u>
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NOTE 15. RELATED PARTY TRANSACTIONS

Employees, officers and stockholders of certain approved originator and servicing financial institutions of the Board also serve as directors of the Board of Housing.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2002 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2001)

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture III	Single Family Drawdown
ASSETS				
Current Assets				
Restricted Cash and Cash Equivalents	\$ 1,422,292	\$ 1,110,611	\$ 21,613	\$ 3,224
Restricted Investments	5,936,265	2,937,363	-	27,960,000
Restricted Mortgage Loans Receivable	5,191,038	4,969,718	53,328	-
Restricted Interest Receivable	2,485,604	2,364,225	20,112	-
Due from Other Funds	-	4,695,747	-	-
Prepaid Expense	90,315	77,221	-	-
Total Current Assets	<u>\$ 15,125,514</u>	<u>\$ 16,154,885</u>	<u>\$ 95,053</u>	<u>\$ 27,963,224</u>
Noncurrent Assets				
Restricted Investments	\$ 41,461,597	\$ 63,353,313	\$ 287,751	\$ -
Restricted Mortgage Loans Receivable	354,388,593	263,130,683	1,570,609	-
Deferred Bond Issuance Costs, Net	3,887,663	2,506,497	10,962	-
Capital Assets, Net	67,101	83,334	-	-
Total Noncurrent Assets	<u>\$ 399,804,954</u>	<u>\$ 329,073,827</u>	<u>\$ 1,869,322</u>	<u>\$ -</u>
TOTAL ASSETS	<u>\$ 414,930,468</u>	<u>\$ 345,228,712</u>	<u>\$ 1,964,375</u>	<u>\$ 27,963,224</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 247,625	\$ 211,813	\$ 1,217	\$ -
Due to Other Funds	4,695,747	-	-	-
Due to State Government	25,352	25,352	-	-
Property Held in Trust	521,900	1,755	-	-
Accrued Interest - Bonds Payable	2,097,851	1,252,952	22,827	-
Bonds Payable, Net	3,640,000	5,817,760	65,000	27,960,000
Arbitrage Rebate Payable to U.S. Treasury Department	262,269	307,564	-	-
Accrued Compensated Absences	18,446	18,446	-	-
Total Current Liabilities	<u>\$ 11,509,190</u>	<u>\$ 7,635,642</u>	<u>\$ 89,044</u>	<u>\$ 27,960,000</u>
Noncurrent Liabilities				
Bonds Payable, Net	\$ 369,175,000	\$ 263,759,161	\$ 1,110,000	\$ -
Deferred Refunding Costs	(1,116,108)	144,508	-	-
Arbitrage Rebate Payable to U.S. Treasury Department	348,667	584,448	-	-
Accrued Compensated Absences	13,540	13,540	-	-
Total Noncurrent Liabilities	<u>\$ 368,421,099</u>	<u>\$ 264,501,657</u>	<u>\$ 1,110,000</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 379,930,289</u>	<u>\$ 272,137,299</u>	<u>\$ 1,199,044</u>	<u>\$ 27,960,000</u>
NET ASSETS				
Invested in Capital Assets, Net	\$ 67,101	\$ 83,334	\$ -	\$ -
Restricted for Bondholders (Note 1 & 10):				
Unrealized (losses) gains on investments	-	1,538,600	-	-
Single Family Programs	32,986,205	54,359,844	765,331	3,224
Various Recycled Mortgage Programs	1,596,873	17,109,635	-	-
Multifamily Programs	-	-	-	-
Multifamily Project Commitments	-	-	-	-
Reverse Annuity Mortgage Program	350,000	-	-	-
Cash Assistance Program	-	-	-	-
Restricted for Affordable Revolving Loan Program	-	-	-	-
Revolving Loan Program Commitments	-	-	-	-
TOTAL NET ASSETS	<u>\$ 35,000,179</u>	<u>\$ 73,091,413</u>	<u>\$ 765,331</u>	<u>\$ 3,224</u>

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2002 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2001)

Single Family Eliminations	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	HOUSING TRUST FUND	AFFORDABLE REVOLVING LOAN ACCT	Combined Totals (Memorandum Only)	
					FY 2002	FY 2001
\$ -	\$ 2,557,740	\$ 224,415	\$ 1,614,513	\$ 541,678	\$ 4,938,346	\$ 4,434,480
-	36,833,628	5,389,507	-	-	42,223,135	61,310,843
-	10,214,084	539,928	-	-	10,754,012	9,834,901
-	4,869,941	196,613	193,753	-	5,260,307	5,375,321
(4,695,747)	-	-	-	-	-	-
-	167,536	3,631	4,324	-	175,491	166,210
<u>\$ (4,695,747)</u>	<u>\$ 54,642,929</u>	<u>\$ 6,354,094</u>	<u>\$ 1,812,590</u>	<u>\$ 541,678</u>	<u>\$ 63,351,291</u>	<u>\$ 81,121,755</u>
\$ -	\$ 105,102,661	\$ 1,662,422	\$ -	\$ -	\$ 106,765,083	\$ 151,524,766
-	619,089,885	19,498,133	936,240	1,500,000	641,024,258	594,240,527
-	6,405,122	297,394	-	-	6,702,516	7,468,301
-	150,435	1,724	1,724	-	153,883	155,656
<u>\$ -</u>	<u>\$ 730,748,103</u>	<u>\$ 21,459,673</u>	<u>\$ 937,964</u>	<u>\$ 1,500,000</u>	<u>\$ 754,645,740</u>	<u>\$ 753,389,250</u>
<u>\$ (4,695,747)</u>	<u>\$ 785,391,032</u>	<u>\$ 27,813,767</u>	<u>\$ 2,750,554</u>	<u>\$ 2,041,678</u>	<u>\$ 817,997,031</u>	<u>\$ 834,511,005</u>
\$ -	\$ 460,655	\$ 8,653	\$ 2,670	\$ -	\$ 471,978	\$ 374,295
(4,695,747)	-	-	-	-	-	-
-	50,704	10,967	6,988	-	68,659	59,394
-	523,655	500	1,140	-	525,295	2,665
-	3,373,630	493,362	-	-	3,866,992	4,500,355
-	37,482,760	490,000	-	-	37,972,760	9,735,500
-	569,833	-	-	-	569,833	98,995
-	36,892	5,280	4,722	-	46,894	34,450
<u>\$ (4,695,747)</u>	<u>\$ 42,498,129</u>	<u>\$ 1,008,762</u>	<u>\$ 15,520</u>	<u>\$ -</u>	<u>\$ 43,522,411</u>	<u>\$ 14,805,654</u>
\$ -	\$ 634,044,161	\$ 18,877,782	\$ -	\$ -	\$ 652,921,943	\$ 704,598,053
-	(971,600)	-	-	-	(971,600)	(312,551)
-	933,115	-	-	-	933,115	842,940
-	27,080	3,876	3,466	-	34,422	25,288
<u>\$ -</u>	<u>\$ 634,032,756</u>	<u>\$ 18,881,658</u>	<u>\$ 3,466</u>	<u>\$ -</u>	<u>\$ 652,917,880</u>	<u>\$ 705,153,730</u>
<u>\$ (4,695,747)</u>	<u>\$ 676,530,885</u>	<u>\$ 19,890,420</u>	<u>\$ 18,986</u>	<u>\$ -</u>	<u>\$ 696,440,291</u>	<u>\$ 719,959,384</u>
\$ -	\$ 150,435	\$ 1,724	\$ 1,724	\$ -	\$ 153,883	\$ 155,656
-	1,538,600	(33,264)	-	-	1,505,336	915,684
-	88,114,604	-	1,412,920	-	89,527,524	82,632,302
-	18,706,508	-	-	-	18,706,508	20,582,785
-	-	7,726,557	-	-	7,726,557	7,389,692
-	-	228,330	-	-	228,330	214,187
-	350,000	-	1,316,924	-	1,666,924	1,153,930
-	-	-	-	-	-	6,251
-	-	-	-	1,898,678	1,898,678	1,501,134
-	-	-	-	143,000	143,000	-
<u>\$ -</u>	<u>\$ 108,860,147</u>	<u>\$ 7,923,347</u>	<u>\$ 2,731,568</u>	<u>\$ 2,041,678</u>	<u>\$ 121,556,740</u>	<u>\$ 114,551,621</u>

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture III	Single Family Indenture VIII	Single Family Indenture IX
OPERATING REVENUES					
Interest Income - Mortgage Loans	\$ 21,369,484	\$ 18,574,982	\$ 195,542	\$ -	\$ -
Interest Income - Investments	4,696,124	5,008,139	27,418	-	-
Fee Income	21,187	21,184	-	-	-
Federal Financial Assistance	-	-	-	-	-
Net Increase (Decrease) in Fair Value of Investments	-	651,929	-	-	-
Other Income	6	6	-	-	-
Securities Lending Income	270	270	-	-	-
Total Operating Revenues	<u>\$ 26,087,071</u>	<u>\$ 24,256,510</u>	<u>\$ 222,960</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES					
Interest on Bonds	\$ 21,484,444	\$ 17,464,586	\$ 116,729	\$ -	\$ -
Servicer Fees	1,193,006	1,062,999	7,995	-	-
Contracted Services	271,552	239,717	1,502	-	-
Amortization of Bond Issuance Costs	282,186	89,617	1,289	-	-
General and Administrative	524,033	487,938	-	-	-
Securities Lending Expense	242	242	-	-	-
Arbitrage Rebate Expense	356,222	377,706	-	-	-
Loss on Redemption	267,165	317,535	5,547	-	-
Total Operating Expenses	<u>\$ 24,378,850</u>	<u>\$ 20,040,340</u>	<u>\$ 133,062</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Income (Loss) Before Transfers	1,708,221	4,216,170	89,898	-	-
Transfer from Primary Government	-	-	-	-	-
Operating Transfers (Out) In	<u>905,360</u>	<u>-</u>	<u>-</u>	<u>(498,043)</u>	<u>(406,664)</u>
Increase (Decrease) in Net Assets	2,613,581	4,216,170	89,898	(498,043)	(406,664)
Net Assets, Beginning of Year	<u>32,386,600</u>	<u>68,875,241</u>	<u>675,433</u>	<u>498,043</u>	<u>406,664</u>
Net Assets, End of Year	<u>\$ 35,000,181</u>	<u>\$ 73,091,411</u>	<u>\$ 765,331</u>	<u>\$ -</u>	<u>\$ -</u>

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

Single Family Indenture X	Single Family Drawdown	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	HOUSING TRUST FUND	AFFORDABLE REVOLVING LOAN ACCT	Combined Totals (Memorandum Only)	
						FY 2002	FY 2001
\$ -	\$ -	\$ 40,140,008	\$ 1,387,783	\$ 51,771	\$ 25,711	\$ 41,605,273	\$ 39,697,844
-	147,357	9,879,038	289,385	42,405	13,807	10,224,635	11,900,652
-	-	42,371	-	192,133	-	234,504	207,153
-	-	-	240,140	-	-	240,140	240,866
-	-	651,929	(62,279)	-	-	589,650	1,646,547
-	-	12	3,874	281	1,000	5,167	9,391
-	-	540	-	648	249	1,437	789
<u>\$ -</u>	<u>\$ 147,357</u>	<u>\$ 50,713,898</u>	<u>\$ 1,858,903</u>	<u>\$ 287,238</u>	<u>\$ 40,767</u>	<u>\$ 52,900,806</u>	<u>\$ 53,703,242</u>
\$ -	\$ 144,133	\$ 39,209,892	\$ 1,311,908	\$ -	\$ -	\$ 40,521,800	\$ 40,091,169
-	-	2,264,000	21,778	-	-	2,285,778	2,138,753
-	-	512,771	36,067	8,066	-	556,904	526,956
-	-	373,092	18,351	-	-	391,443	226,731
-	-	1,011,971	145,122	119,964	-	1,277,057	1,044,429
-	-	484	-	580	223	1,287	767
-	-	733,928	-	-	-	733,928	714,845
-	-	590,247	37,243	-	-	627,490	397,504
<u>\$ -</u>	<u>\$ 144,133</u>	<u>\$ 44,696,385</u>	<u>\$ 1,570,469</u>	<u>\$ 128,610</u>	<u>\$ 223</u>	<u>\$ 46,395,687</u>	<u>\$ 45,141,154</u>
-	3,224	6,017,513	288,434	158,628	40,544	6,505,119	8,562,088
-	-	-	-	-	500,000	500,000	-
(653)	-	-	-	-	-	-	-
(653)	3,224	6,017,513	288,434	158,628	540,544	7,005,119	8,562,088
653	-	102,842,634	7,634,913	2,572,940	1,501,134	114,551,621	105,989,533
<u>\$ -</u>	<u>\$ 3,224</u>	<u>\$ 108,860,147</u>	<u>\$ 7,923,347</u>	<u>\$ 2,731,568</u>	<u>\$ 2,041,678</u>	<u>\$ 121,556,740</u>	<u>114,551,621</u>

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture III	Single Family Drawdown
CASH FLOWS FROM OPERATING ACTIVITY				
Receipts for Sales and Services	\$ -	\$ -	\$ -	\$ -
Collections on Loans and Interest on Loans	56,988,097	64,434,310	557,837	-
Cash payments for Loans	(123,718,247)	(8,790,385)	-	-
Federal Financial Assistance Receipts	-	-	-	-
Payments to Suppliers for Goods and Services	(1,528,429)	(1,422,858)	(9,653)	-
Payments to Employees	(258,369)	(258,370)	-	-
Other Operating Revenues	56	56	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (68,516,892)</u>	<u>\$ 53,962,753</u>	<u>\$ 548,184</u>	<u>\$ -</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of Principal and Interest on Bonds and Notes	\$ (71,520,469)	\$ (54,066,993)	\$ (779,339)	\$ (22,364,133)
Proceeds from Issuance of Bonds and Notes	39,000,000	-	-	50,180,000
Payment of Bond Issuance Costs	(591,555)	-	-	-
Premium Paid on Refunding Bonds	(421,700)	-	-	-
Good Faith Deposit being Held	521,900	-	-	-
Due to (from) Other Funds	4,695,747	(4,695,747)	-	-
Transfers in (out)	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (28,316,077)</u>	<u>\$ (58,762,740)</u>	<u>\$ (779,339)</u>	<u>\$ 27,815,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	\$ (24,847)	\$ (24,848)	\$ -	\$ -
Net Cash Used by Capital and Related Financing Activities	<u>\$ (24,847)</u>	<u>\$ (24,848)</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investments	\$ (205,067,233)	\$ (140,879,148)	\$ (551,221)	\$ (50,180,000)
Proceeds from Sales or Maturities of Investments	297,384,097	140,969,055	743,561	22,220,000
Interest on Investments	5,006,776	5,044,151	30,780	147,357
Arbitrage Rebate Tax	(2,300)	(170,614)	-	-
Net Cash Provided (Used) by Investing Activities	<u>\$ 97,321,340</u>	<u>\$ 4,963,444</u>	<u>\$ 223,120</u>	<u>\$ (27,812,643)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 463,524	\$ 138,609	\$ (8,035)	\$ 3,224
Cash and Cash Equivalents, beginning bal.	\$ 958,768	\$ 972,002	\$ 29,648	\$ -
Cash and Cash Equivalents, ending bal.	\$ 1,422,292	\$ 1,110,611	\$ 21,613	\$ 3,224

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	HOUSING TRUST FUND	AFFORDABLE REVOLVING LOAN ACCT	Combined Totals (Memorandum Only)	
				FY 2002	FY 2001
\$ -	\$ -	\$ 192,133	\$ -	\$ 192,133	\$ 149,459
121,980,244	3,859,177	246,650	25,711	126,111,782	98,580,497
(132,508,632)	-	(137,309)	-	(132,645,941)	(114,764,179)
-	240,140	-	-	240,140	240,866
(2,960,940)	(123,469)	(58,097)	-	(3,142,506)	(3,275,215)
(516,739)	(72,190)	(65,804)	-	(654,733)	(532,665)
112	3,874	281	1,000	5,267	9,391
<u>\$ (14,005,955)</u>	<u>\$ 3,907,532</u>	<u>\$ 177,854</u>	<u>\$ 26,711</u>	<u>\$ (9,893,858)</u>	<u>\$ (19,591,846)</u>
\$ (148,730,934)	\$ (5,043,079)	\$ -	\$ -	\$ (153,774,013)	\$ (92,509,632)
89,180,000	-	-	-	89,180,000	142,940,000
(591,555)	-	-	-	(591,555)	(1,452,201)
(421,700)	-	-	-	(421,700)	(88,100)
521,900	-	-	-	521,900	-
-	-	-	-	-	-
-	-	-	500,000	500,000	-
<u>\$ (60,042,289)</u>	<u>\$ (5,043,079)</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ (64,585,368)</u>	<u>\$ 48,890,067</u>
\$ (49,695)	\$ -	\$ -	\$ -	\$ (49,695)	\$ -
<u>\$ (49,695)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49,695)</u>	<u>\$ -</u>
\$ (396,677,602)	\$ (9,735,000)	\$ -	\$ -	\$ (406,412,602)	\$ (402,993,977)
461,316,713	9,756,519	-	-	471,073,232	361,964,918
10,229,064	259,701	42,473	13,833	10,545,071	13,142,433
(172,914)	-	-	-	(172,914)	-
<u>\$ 74,695,261</u>	<u>\$ 281,220</u>	<u>\$ 42,473</u>	<u>\$ 13,833</u>	<u>\$ 75,032,787</u>	<u>\$ (27,886,626)</u>
\$ 597,322	\$ (854,327)	\$ 220,327	\$ 540,544	\$ 503,866	\$ 1,411,595
\$ 1,960,418	\$ 1,078,742	\$ 1,394,186	\$ 1,134	\$ 4,434,480	\$ 3,022,885
\$ 2,557,740	\$ 224,415	\$ 1,614,513	\$ 541,678	\$ 4,938,346	\$ 4,434,480

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture III	Single Family Drawdown
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 1,708,221	\$ 4,216,170	\$ 89,898	\$ 3,224
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation	19,794	31,081	-	-
Amortization	549,351	407,151	6,836	-
Interest Expense	21,484,444	17,464,586	116,729	144,133
Interest on Investments	(4,696,152)	(5,008,167)	(27,419)	(147,357)
Arbitrage Rebate Tax	356,222	377,706	-	-
Bad Debt Allowance	50,000	-	-	-
(Incr) Decr in Fair Value of Investments	-	(651,929)	-	-
Change in Assets and Liabilities:				
Decr (Incr) in Mortgage Loans Receivable	(88,250,606)	36,913,002	373,084	-
Decr (Incr) in Other Assets	(454,365)	223,764	3,539	-
Incr (Decr) in Accounts Payable	128,339	66,687	(156)	-
Incr (Decr) in Deferred Reservation & Disc. Fees	576,782	(88,376)	(14,327)	-
Incr (Decr) in Compensated Absences Payable	11,078	11,078	-	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (68,516,892)</u>	<u>\$ 53,962,753</u>	<u>\$ 548,184</u>	<u>\$ -</u>

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	HOUSING TRUST FUND	AFFORDABLE REVOLVING LOAN ACCT	Combined Totals (Memorandum Only)	
				FY 2002	FY 2001
\$ 6,017,513	\$ 288,434	\$ 158,628	\$ 40,544	\$ 6,505,119	\$ 8,562,088
50,875	296	296	-	51,467	46,810
963,338	55,594	-	-	1,018,932	624,235
39,209,892	1,311,908	-	-	40,521,800	40,091,169
(9,879,095)	(289,385)	(42,473)	(13,833)	(10,224,786)	(11,900,674)
733,928	-	-	-	733,928	714,845
50,000	-	-	-	50,000	100,000
(651,929)	62,279	-	-	(589,650)	(1,646,547)
(50,964,520)	2,460,721	54,094	-	(48,449,705)	(55,617,200)
(227,062)	9,793	2,716	-	(214,553)	(670,325)
194,870	7,902	5,963	-	208,735	(118,605)
474,079	(802)	-	-	473,277	210,741
22,156	792	(1,370)	-	21,578	11,617
<u>\$ (14,005,955)</u>	<u>\$ 3,907,532</u>	<u>\$ 177,854</u>	<u>\$ 26,711</u>	<u>\$ (9,893,858)</u>	<u>\$ (19,591,846)</u>

APPENDIX B

ALBERTA

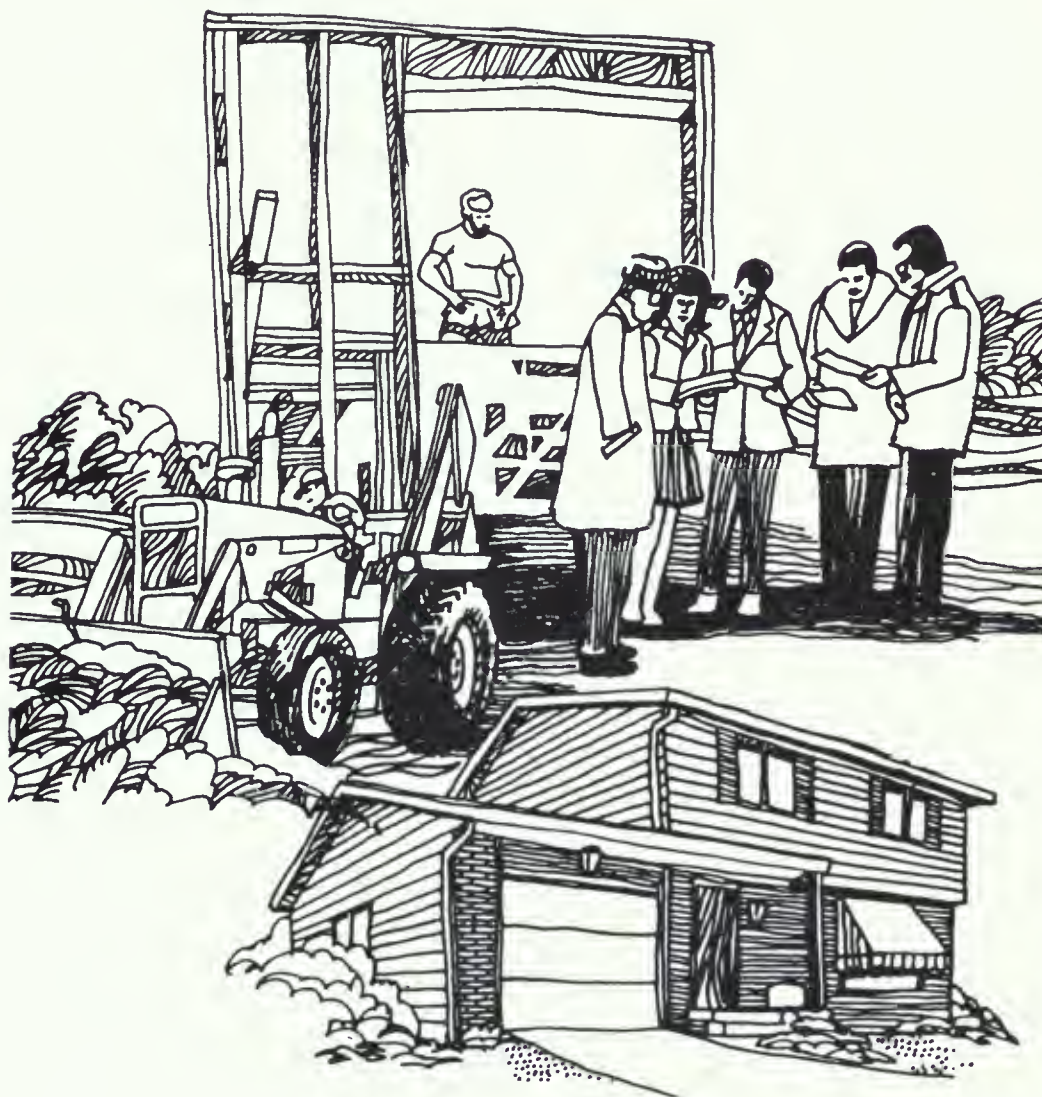
Participating Lending Offices

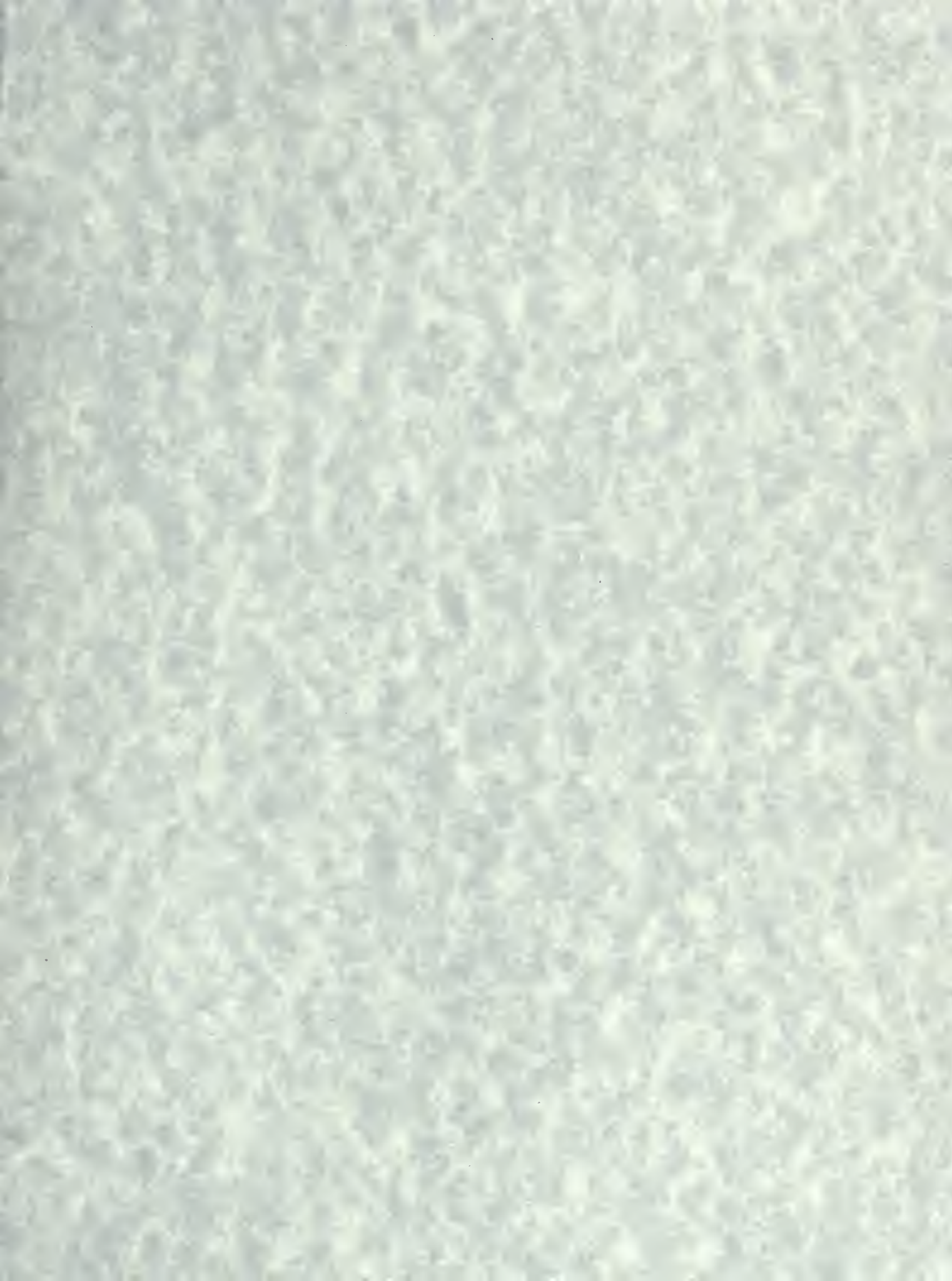
<u>City</u>	<u>Lender Name</u>	<u>City</u>	<u>Lender Name</u>
Absarokee	United Bank of Absarokee Yellowstone Bank	Browning	Native American Bank
Anaconda	Wells Fargo Home Mortgage Glacier Bank	Butte	American Federal Savings Bank First National Bank Glacier Bank U.S. Bank Wells Fargo Home Mortgage
Baker	The Bank of Baker Wells Fargo Home Mortgage	Chester	Heritage Bank Wells Fargo Home Mortgage
Belgrade	First Interstate Bank Valley Bank of Belgrade First Security Bank	Chinook	Wells Fargo Home Mortgage Western Bank of Chinook
Big Sandy	Wells Fargo Home Mortgage	Choteau	The Citizens Bank of Choteau
Big Sky	Intermountain Mortgage Big Sky Western	Circle	Wells Fargo Home Mortgage
Big Timber	American Bank Citizens State Bank & Trust Intermountain Mortgage Empire Federal Savings	Clancy	First Boulder Valley Bank
Bigfork	Flathead Bank of Bigfork Glacier Bank Rocky Mountain Bank	Clyde Park	First National Bank of Rockies
Billings	Countrywide Home Loans Inc. Empire Federal Savings First Citizens Bank of Billings First Interstate Bank Yellowstone Bank GMAC Mortgage Intermountain Mortgage Little Horn State Bank Mann Mortgage Rocky Mountain Bank Stockman Bank Streeter Brothers Mortgage Company U.S. Bank Wells Fargo Home Mortgage Western Security Bank	Colstrip	First Interstate Bank
Boulder	First Boulder Valley Bank	Columbia Falls	Glacier Bank First Citizens
Bozeman	American Bank American Federal Savings Bank First Interstate Bank First Security Bank GMAC Mortgage Intermountain Mortgage Montana Mortgage Company Empire Federal Savings U.S. Bank Mountain West Bank Wells Fargo Home Mortgage Mann Mortgage Big Sky Western Heritage Bank	Columbus	United Bank of Absarokee Yellowstone Bank
Broadus	Rocky Mountain Bank	Conrad	Stockman Bank Wells Fargo Home Mortgage
		Corvallis	Citizens State Bank
		Culbertson	First Community Bank
		Cut Bank	First Interstate Bank Glacier Bank Mann Mortgage Stockman Bank
		Deer Lodge	Peoples Bank Pioneer Federal Savings
		Dillon	Wells Fargo Home Mortgage Pioneer Federal Savings State Bank and Trust
		East Helena	Valley Bank
		Ennis	First Madison Valley Bank
		Eureka	First Interstate Glacier Bank The First National Bank
		Forsyth	First State Bank Wells Fargo Home Mortgage
		Fort Benton	Heritage Bank
		Frenchtown	Clark Fork Valley Bank

<u>City</u>	<u>Lender Name</u>	<u>City</u>	<u>Lender Name</u>
Gardiner	First Interstate Bank	Laurel	First Security Bank Western Security Bank Yellowstone Bank
Geraldine	Heritage Bank		
Glasgow	First Community Bank Wells Fargo Home Mortgage Valley Bank	Lewistown	Basin State Bank First National Bank Wells Fargo Home Mortgage Western Security Bank
Glendive	Community First Bank Heritage Bank Stockman Bank	Libby	First National Bank Glacier Bank Heritage Bank
Great Falls	First Interstate Bank Heritage Bank Mountain West Bank U.S. Bank Wells Fargo Home Mortgage Mann Mortgage Stockman Bank	Livingston	American Bank Empire Federal Savings Bank First Interstate Bank of Commerce First National Bank of Rockies Wells Fargo Home Mortgage
Hamilton	Citizen's State Bank First Interstate Bank Glacier Bank Heritage Bank	Lolo	Bitterroot Valley Bank
Hardin	First Interstate Bank Little Horn State Bank Western Security Bank	Malta	First Security Bank Stockman Bank
Harlem	Rocky Mountain Bank	Miles City	First Interstate Bank Stockman Bank U.S. Bank
Harlowton	Continental National Bank	Missoula	First Interstate Bank First Security Bank GMAC Mortgage Intermountain Mortgage Mann Mortgage Missoula Federal Credit Union Montana Mortgage Company Mountain West Bank Wells Fargo Home Mortgage Empire Federal Savings Heritage Bank
Havre	First Security Bank Heritage Bank Wells Fargo Home Mortgage Independence Bank Stockman Bank		
Helena	American Federal Savings Bank First Interstate Bank Glacier Bank Mann Mortgage Mountain West Bank Valley Bank Wells Fargo Home Mortgage	Montana City	First Boulder Valley Bank
Hot Springs	Valley Bank	Pablo	Community Bank of Pablo
Hysham	Stockman Bank	Plains	Rocky Mountain Bank of Plains
Jordan	Garfield County Bank	Plentywood	Rocky Mountain Bank Stockman Bank
Kalispell	Bankwest NA First Interstate Bank Glacier Bank GMAC Mortgage Mann Mortgage Montana First National Bank Montana Mortgage Company Three Rivers Bank Valley Bank of Kalispell Wells Fargo Home Mortgage Mountain West Bank Intermountain Mortgage Heritage Bank	Polson	First Citizens Bank Glacier Bank Mann Mortgage First Interstate Bank Ronan State Bank
		Red Lodge	Wells Fargo Home Mortgage U S National Bank of Red Lodge
		Richey	Stockman Bank
		Ronan	Ronan State Bank Valley Bank of Ronan
		Roundup	First Security Bank Wells Fargo Home Mortgage
		Rudyard	Wells Fargo Home Mortgage

<u>City</u>	<u>Lender Name</u>
Scobey	Citizens State Bank
Shelby	Heritage Bank Wells Fargo Home Mortgage
Sheridan	Ruby Valley National Bank
Sidney	First Bank Wells Fargo Home Mortgage Stockman Bank
St. Ignatius	Lake County Bank
Stanford	Basin State Bank
Stevensville	Rocky Mountain Bank
Superior	Wells Fargo Home Mortgage
Terry	Stockman Bank
Thompson Falls	Valley Bank of Ronan First State Bank
Townsend	American Federal Savings Bank State Bank of Townsend

<u>City</u>	<u>Lender Name</u>
Troy	First National Bank of Libby
Twin Bridges	Ruby Valley National Bank
Valier	Wells Fargo Home Mortgage
West Yellowstone	First Interstate Bank First Security Bank
White Sulphur Springs	First National Bank of the Rockies
Whitefish	American Bank First Interstate Bank First National Bank Glacier Bank Mann Mortgage
Whitehall	Rocky Mountain Bank
Wibaux	Stockman Bank
Wolf Point	First Community Bank Western Bank of Wolf Point
Worden	Stockman Bank





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